

SF Human Rights Commission

Between  
a  
Rock...  
and  
a  
Hard  
Place

A STUDY OF BONDING AND  
INSURANCE REQUIREMENTS  
FOR DOING BUSINESS WITH  
THE CITY AND COUNTY OF  
SAN FRANCISCO



SEPTEMBER 30, 1985

**Aileen C. Hernandez Associates**

Urban Consultants

497 Fulton Avenue, San Francisco, CA 94102  
(415) 861-6434

D  
REF  
352.161  
B466

5/S



San Francisco Information Center  
San Francisco Public Library

SAN FRANCISCO  
PUBLIC LIBRARY

REFERENCE  
BOOK

Not to be taken from the Library



3 1223 03551 4513

# **Aileen C. Hernandez Associates**

**Urban Consultants**

**497 Fulton Avenue, San Francisco, CA 94102**

**(415) 861-6434**

**Aileen C. Hernandez**

**Jacqueline Bradford**

**Patsy G. Fulcher**

**B E T W E E N**

**A**

**R O C K . . .**

**A N D**

**A**

**H A R D**

**P L A C E**

**A Study, with Recommendations, of the Impacts  
on Minority-owned, Women-owned and Small Businesses  
of Bonding, Insurance, and Other Fee-related Requirements  
of Departments and Agencies of the City and County of San Francisco  
for Businesses Entering into Contracts with Such Agencies**

**Conducted by:**

**Aileen C. Hernandez Associates  
under Contract # 51211  
with the San Francisco Human  
Rights Commission**

**SEPTEMBER 30, 1985** ✕

D REF 352.161 B466

Between a rock-- and a  
hard place : a study,  
1975.

S.F. PUBLIC LIBRARY

3 1223 03551 4513



CITY AND COUNTY OF SAN FRANCISCO

M E M O R A N D U M

From the Office of the  
HUMAN RIGHTS COMMISSION

1095 Market Street - #501  
San Francisco 94103  
558-4901

To: Contract Administrators  
San Francisco City and County  
Departments and Agencies

Date: October 17, 1985

From: Grant S. Mickins, Director  
Human Rights Commission

Re: BETWEEN A ROCK...AND A HARD PLACE: A Study of Bonding and  
Insurance Requirements in City Contracting.

The San Francisco Human Rights Commission, pursuant to its responsibilities under Ordinance 139-84, engaged a consultant to investigate the impact of insurance and bonding requirements on implementation of the MBE/WBE/LBE program. Attached, for your review, is a copy of that report.

There will be a meeting with the consultants, Aileen C. Hernandez Associates, to discuss the report and its implications for the contracting program, on:

Date: Tuesday, October 29, 1985  
Time: 10:15 A.M.  
Place: Commission Room, Third Floor  
Main Library, Civic Center

Please contact Gail Roberts of my staff at 558-4901 to confirm your attendance at this important meeting. We would like to give each of you an opportunity to respond to the report and to work with the Human Rights Commission on techniques for addressing the issues raised.

Thank you for your cooperation.

GSM:GPR:bct



Digitized by the Internet Archive  
in 2016

## A C K N O W L E D G E M E N T S

The authors wish to thank the many people who contributed to this study. More than 200 businesses took the time to respond to our survey, providing us with invaluable personal experiences on which to base our research and analysis.

**EVERY** City Department and Agency forwarded information on pertinent contracting requirements, and many agency representatives were generous in providing additional data at our request.

Organizations and individuals in the bonding and insurance industries, and staff of technical assistance agencies at federal, state and local levels were invaluable resources on which we drew frequently to supplement the data gathered.

We wish particularly to thank the staff of the San Francisco Human Rights Commission for its support of the study and for its cooperation in expediting critical aspects of the contract.

We deeply appreciate all the help we have received, but we accept sole responsibility for this final product.

Jacqueline Bradford  
Patsy G. Fulcher  
Aileen C. Hernandez

September 30, 1985



# T A B L E   O F   C O N T E N T S

	PAGE
SUMMARY REPORT	
Introduction	i
Methodology	i
Summary of Findings	ii
Summary of Recommendations	v
Conclusion	viii
CHAPTER ONE: INTRODUCTION	1
CHAPTER TWO: METHODOLOGY	3
CHAPTER THREE: SURVEY OF DEPARTMENTS	6
CHAPTER FOUR: SURVEY OF MINORITY/WOMEN BUSINESSES	11
CHAPTER FIVE: VIEWS FROM THE INSURANCE INDUSTRY	15
CHAPTER SIX: TECHNICAL ASSISTANCE ORGANIZATIONS	17
CHAPTER SEVEN: FOCUS GROUP SESSIONS	18
CHAPTER EIGHT: SURVEY OF LITERATURE AND OTHER JURISDICTIONS	23
CHAPTER NINE: STUDY FINDINGS	28
CHAPTER TEN: RECOMMENDATIONS	32
APPENDICES: LIST AND PAGES	38



B E T W E E N       A       R O C K . . .

A N D       A

H A R D       P L A C E

A Study, with Recommendations, of the Impacts  
on Minority-owned, Women-owned and Small Businesses  
of Bonding, Insurance, and Other Fee-related Requirements  
of Departments and Agencies of the City and County of San Francisco  
for Businesses Entering into Contracts with Such Agencies

---

## S U M M A R Y       R E P O R T

### I N T R O D U C T I O N

On August 10, 1984, Ordinance 139-84 became law in the City and County of San Francisco. It established as City policy the "full and equitable participation" by Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs) and Local Business Enterprises (LBEs) as prime contractors in the provision of goods and services to the City.

To implement this policy, the ordinance projects a 30% goal for awarding prime City contracts to minority businesses, and a 10% goal for women-owned businesses. In addition, contracting authorities in the City are required to reserve a minimum of 10% of their contract dollars for MBEs, and 2% for WBEs. In bidding on City contracts, minority, women, or local businesses may benefit from a special 5% preference; and a local business which is also minority or women-owned may qualify for a maximum 10% preference.

The San Francisco Human Rights Commission, which has primary responsibility for monitoring enforcement of the ordinance, recognized that insurance, bonding, and other fee-related requirements in City contracts might be a barrier to reaching the goals of the new law. Accordingly, a consultant was hired to study these requirements and recommend appropriate actions - including the possibility of establishing a special revolving fund to help MBEs and WBEs meet necessary requirements.

This section is a summary of the study methodology and the findings and recommendations of the consultant team.

### M E T H O D O L O G Y

To accomplish its tasks, the consultant team utilized mailed questionnaires, telephone surveys, face-to-face interviews, literature searches, and focus group sessions. Specifically, the team:

- Mailed questionnaires to City agencies, departments, and contracting authorities to elicit information on contracting procedures and bonding, insurance and fee requirements





- Compiled a listing of more than 600 MBEs, WBEs, and LBEs from a variety of sources and mailed each a questionnaire designed to obtain information on experiences trying to obtain and/or fulfill City contracts
- Conducted follow-up interviews with selected MBEs and WBEs, and counseled numerous individuals who called for additional information when they received their questionnaires
- Conducted telephone and face-to-face interviews with representatives of bonding and insurance agencies and organizations
- Conducted telephone and face-to-face interviews with representatives of several organizations which provide technical assistance to MBEs and WBEs
- Arranged and facilitated two focus group sessions with insurance and bonding industry representatives, selected principals of minority and women-owned firms, and staff of technical assistance agencies
- Analyzed the resulting data and information, and developed matrices to show relevant comparisons
- Interviewed representatives from other Bay Area counties to obtain information on their policies and procedures in awarding contracts
- Identified and reviewed articles, books and pamphlets related to the subjects under study

The information gathered through these methods was systematically reviewed by the consultant team, and formed the basis for the **FINDINGS AND RECOMMENDATIONS** made in this report.

#### **SUMMARY OF FINDINGS**

The techniques described in the methodology yielded a rich reserve of factual and anecdotal information. The **FINDINGS** of the study are:

1. All City agencies and departments do not require bonding, insurance, and/or special fees of their contractors or vendors.
  - Thirty-six departments and agencies reported that they award contracts to businesses operating for profit.



- Twenty-eight indicated that all contractors and vendors are required to meet specific bonding, insurance, and/or fee-related requirements.
  - Four agencies reported that they have no requirements for bonding, insurance, or special fees. These tended to be agencies dealing only with personal services contracts.
  - The remaining responses (4) varied from statements that the agency awarded no contracts, to the claim that the requirements were imposed by the City, not by the Agency.
2. Under certain circumstances, many of these "requirements" can be waived or adjusted.
- More than half (17) of the agencies which imposed bonding, insurance, or fee requirements reported that most of them could be waived or adjusted.
  - In some agencies, the Director has full authority to waive a requirement or to adjust the amount required.
  - In most agencies, the City's Risk Manager is routinely consulted before any changes are made in a bonding, insurance or special fee requirement.
  - Factors which influence the decisions are the City's exposure to risk, the amount and/or duration of the contract, and the type of work to be performed.
3. The most frequently imposed requirements are Workers' Compensation and Employers' Liability, Comprehensive General Liability, and Auto Liability.
- The City and County of San Francisco must usually be included as an "additional insured."
  - Automobile liability can often be waived where the contractor does not drive in the performance of contract duties.
  - By statute, the minimum coverage level for Workers' Compensation and Employers' Liability is \$1,000,000.
  - Limits on Comprehensive General Liability may be raised or lowered, depending on the presumed risk to the City under the contract; most often, the required limit is \$1,000,000 per incident.



4. There is a difference in the perceptions of City agencies and potential/actual contractors concerning the impacts of financial requirements.
  - Less than 25% (8) of the responding agencies reported that MBEs and WBEs had trouble meeting these financial requirements.
  - Nearly 50% (99) of the businesses responding identified insurance, bonding, and fee requirements as barriers to their contracting with the City.
5. The insurance industry is in a period of dramatic change.
  - Insurance rates are escalating rapidly; industry representatives reported that it would not be unusual for insurance costs in 1985 to be 300% greater than 1984 premiums.
  - Traditional insurance companies are electing not to insure many occupational categories which ordinarily had no difficulty being insured.
  - Certain professions are creating self-insurance for their members in order to assure necessary coverage and/or reduce the cost of coverage.
6. There is an adverse impact on MBEs and WBEs because of these changes in the insurance industry.
  - Small and newly-formed businesses have greater difficulty qualifying for insurance than large and long-established firms do.
  - Disproportionate numbers of MBEs and WBEs fall into "high risk" categories because they are small and do not have "track records" that appeal to traditional insurers.
7. There is an adverse impact on MBEs and WBEs because of the City's requirements for high limit insurance, bonding, and fees.
  - The newness of many MBEs and WBEs, their under-capitalization, and their lack of access to funding sources operate to bar them from meeting such stringent financial conditions.
  - Performance bonding places a particular burden on small contractors.
  - Many qualified MBEs and WBEs reported that they did not try to compete for City contracts because they knew that they could not obtain the required level of insurance or bonding.



8. The rationale for requiring specific levels of insurance and/or bonding in some cases and not in others is difficult to justify.

- There do not appear to be any City-wide guidelines that can be applied in deciding when and if to waive and/or alter requirements.

The results of the study do not warrant a finding that blatant discrimination operates to bar minority and women-owned businesses from competing successfully for City contracts. However, our findings do support the conclusion that present criteria applied in the process for seeking and obtaining City contracts have the effect of limiting the ability of many MBEs and WBEs to compete for - and win - the opportunity to use their skills and talents in providing goods and services to the City and County of San Francisco.

**SUMMARY OF RECOMMENDATIONS**

The information and data gathered through the study highlight a problem of substantial dimensions. Unless action is taken promptly to address the problem, the effectiveness of Ordinance 139-84 can be severely impaired. Therefore, the consultant team recommends that:

1. The Human Rights Commission immediately convene a meeting of the appropriate staff persons in each agency who have responsibility for contract administration to:

- Review existing requirements in each agency for bonding, insurance and special fees
- Discuss the rationale for the requirements and revise them, as necessary, to reflect the present needs of the City
- Standardize the procedures for waiving and/or altering requirements in specific situations

NOTE: The Risk Manager and representatives from the Office of the Controller, the Office of the City Attorney, and the Purchaser's Office should also be involved in the meeting.

2. The Human Rights Commission arrange a meeting (or meetings) between appropriate City representatives and representatives from the insurance and bonding industries to:

- Discuss "reasonable standards" of coverage and cost
- Review the factors for evaluating potential risk to the City in the contracting process
- Explore alternative approaches to minimizing the anticipated risk





- Develop a cooperative relationship between the Human Rights Commission and the industry to provide technical assistance to MBEs and WBEs in evaluating their insurance/bonding needs, and in qualifying them for coverage
3. The Human Rights Commission and the Purchasing Department develop and maintain an active/current roster of insurers/bonders to whom MBEs and WBEs can be referred for counseling and other technical assistance on
    - Appropriate levels and types of insurance that should be carried
    - Preparation of financial information on the business to facilitate their qualifying for bonding and insurance
  4. The Human Rights Commission, with the cooperation of the appropriate associations of the insurance/bonding industry, undertake an educational effort among small business operators with regard to:
    - Determining minimum/optimum coverage for the business
    - Preparation of bonding and insurance applications
    - Selecting and evaluating an insurance agent
    - Estimating insurance costs realistically in the preparation of proposals and bids
  5. City and County officials seek the assistance of the California State Department of Insurance and state legislators in determining if existing laws and policies are being violated and if additional legislation is needed to:
    - Curtail midterm cancellation of existing insurance coverage
    - Limit arbitrary industry decisions not to renew coverage
    - Halt unjustified, spiralling premiums for necessary insurance coverage
  6. City and County Department and Agency staff who are assigned primary or collateral responsibility for administering the contract program:
    - Receive direct and specific training in these duties
    - Have access to specific contact persons on the staffs of the Purchaser, the Risk Manager, and the City Attorney



- Meet periodically with their co-workers in other City departments and agencies to review the progress of the MBE/WBE/LBE program

7. The Human Rights Commission work cooperatively with appropriate City and County departments and agencies to develop an informational guide to doing business with the City and County of San Francisco, to include:

- An explanation of Ordinance 139-84 and related programs in San Francisco
- Descriptions of the purchasing and contracting procedures for City departments and agencies
- Specific information on insurance, bonding and fee requirements in City contracting
- Listings of private and public resources for technical assistance

NOTE: The guide should be widely distributed and should be made available to anyone seeking to do business with City and County agencies.

8. The Mayor and the Board of Supervisors enact into law a "prompt payment" policy similar to the one which is in effect at State level requiring:

- Appropriate accounting offices to pay the invoices of identified small businesses on a priority basis
- The assessment of a penalty of  $\frac{1}{4}\%$  of the amount due, per day, if payment is not made within 30 days of the required payment date

NOTE: This recommendation is offered because of the frequency with which respondents noted that slow payment by City agencies places the small business in financial jeopardy.

Finally, the consultant team reviewed the concept of creating a Special Revolving Fund to assist MBEs and WBEs to meet bonding, insurance, and other fee-related requirements in City contracts. The study revealed that many businesses need short-term financial assistance from time to time. Many respondents observed that their companies are fully capable of performing on a specific contract, but "up-front" costs of bidding are frequently insurmountable barriers. A special fund was recommended by many of the businesses in the survey. Cash flow problems, unexpected increases in insurance premiums, inability to meet the increasingly stringent loan standards of the private lending market were all cited as reasons for supporting such a revolving loan fund.

The consultant believes that such a fund would be beneficial to the busi-



nesses targeted for assistance under Ordinance 139-84. We therefore recommend that:

9. A Special Revolving Fund be established to make short term loans to qualified MBEs and WBEs, under clearly defined guidelines.

Because there is some question about Charter restrictions on the creation of such a Fund, we further recommend that:

10. A small task force be created, under the auspices of the Mayor and the Board of Supervisors, to expedite the creation of such a Fund with public resources, with private resources, or with a combination of public/private resources.

NOTE: There are numerous public and private agencies which can assist the task force in its deliberations.

## **CONCLUSION**

Ordinance 139-84 is precedent-setting legislation; in its first year of operation, substantial progress was made in reaching qualified minority-owned and women-owned businesses which could provide the goods and services needed by City departments and agencies.

The consultant team believes that the effectiveness of the ordinance can be significantly enhanced by the three-pronged approach outlined in the recommendations:

- Dissemination of clear, standardized information about City contracting to qualified businesses
- Improvement of the capacity of MBEs and WBEs to bid and perform on City contracts through targeted educational efforts
- Provision of emergency, short-term financial assistance to capable businesses in need of temporary help

Specific attention to these needs now can hasten the day when MBEs and WBEs can function efficiently and competitively without the special help of Ordinance 139-84.



B E T W E E N

A

R O C K . . .

A N D

A

H A R D

P L A C E

A STUDY BY

AILEEN C. HERNANDEZ ASSOCIATES

UNDER CONTRACT #51211

WITH THE SAN FRANCISCO

HUMAN RIGHTS COMMISSION

SEPTEMBER 30, 1985





CHAPTER ONE: I N T R O D U C T I O N

On August 10, 1984, Ordinance 139-84 became law in the City and County of San Francisco. The legislation was the culmination of an in-depth study conducted by the San Francisco Human Rights Commission at the request of the Board of Supervisors. The Board's resolution (952-82) urged the Mayor to have the HRC "investigate and hold public hearings" to ascertain the extent of minority business participation in City contracting and to make recommendations for appropriate remedial legislation. After a series of public hearings which brought testimony from a wide variety of minority and women business owners, and a survey of contracts awarded during 1981 and 1982, the Commission recommended passage of Ordinance 139-84.

The legislation establishes as City policy the full and equitable participation by Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs) and Local Business Enterprises (LBEs) as prime contractors in the provision of goods and services to the City. It seeks to correct the situation revealed in the Human Rights Commission's study and hearings - less than 3% of prime contracts awarded to women and minority businesses combined during 1981/1982.

To implement the City's new policy, the ordinance projects a 30% goal for awarding prime City contracts to minority businesses, and a 10% goal for women-owned businesses. In addition, contracting authorities in the City are required to reserve a minimum of 10% of their contract dollars for MBEs, and 2% for WBEs. In bidding on City contracts, minority, women, or local businesses may each benefit from a special 5% preference; and a local business which is also minority or woman-owned may qualify for a maximum 10% preference.

Insurance, bonding and special fee requirements were identified as potential problems for businesses targeted for the benefits of Ordinance 139-84. In order to determine if these requirements presented a barrier to minority and women-owned businesses, the San Francisco Human Rights Commission authorized a study to review the procedures and to recommend corrective action, if necessary - including the creation of a special revolving fund to help MBEs



and WBEs comply with valid financial guaranties.

The results of the study underscore the need for revisions in the procedures used by City departments and agencies in determining the levels of insurance, bonding and fees which will protect the City from the risks inherent in certain contracts without barring qualified businesses from participating in City contracting.

The recommendations contained in this report offer practical suggestions for harmonizing those two concerns.



## CHAPTER TWO: M E T H O D O L O G Y

The consultant team used a variety of techniques to develop its information base. Its purposes were to:

- Assess the current requirements of City and County departments and agencies with regard to insurance, bonding and fees on outside contracts
- Survey a representative sample of minority and women business enterprises to ascertain relevant experiences and attitudes with respect to the financial guaranties demanded by the City
- Explore alternative approaches to meeting the City's need for protection from potential risks related to the contracts awarded while enforcing the City policy in Ordinance 139-84

To accomplish these tasks, the consultant team utilized mailed questionnaires, telephone surveys, face-to-face interviews, literature searches, and focus group sessions.

### SURVEY OF DEPARTMENTS AND AGENCIES

A letter and questionnaire were sent to all City departments and agencies to obtain specific information on the insurance, bonding and fee requirements for contractors and vendors (see Appendix A). The respondents were asked to identify their specific requirements and to indicate if there were any procedures for waiving and/or adjusting the types and amounts of financial guaranties imposed on potential contractors.

Every department and agency solicited responded to the questionnaire; thirty-six indicated that they awarded contracts to businesses operating for profit. The survey results were tabulated and matrices were produced to compare the responses received. Follow-up calls were made to several agencies to clarify the information provided.

### SURVEY OF MINORITY AND WOMEN BUSINESSES

Using listings supplied by the San Francisco Human Rights Commission, supplemented by additional businesses selected from the California State Directory



of Minority and Women-owned Business Firms and other sources, the consultant team developed and mailed questionnaires to approximately 600 businesses (see Appendix B). Responses were received from 201 individuals; these were tabulated, analyzed and summarized to provide highlights on the main areas of concern identified by participants.

#### INTERVIEWS WITH INSURANCE INDUSTRY REPRESENTATIVES

Attempts were made to develop a panel of insurance and bonding agents by utilizing the telephone listings in the Yellow Pages. This proved difficult and the results were unsatisfactory. It was not possible to get the names of specific individuals in each company who could/would be responsive to a mailed questionnaire. As an alternate approach, the consultant team utilized its own contacts to begin telephone and face-to-face interviews. This was more rewarding and resulted in referrals to other individuals who were cooperative in responding to questions. Specific forms were provided by several of these contacts (see Appendix C) and others participated in the focus group sessions and/or expedited contacts with others in the industry. The information received from these contacts led to a further adjustment in the scope of the project. It became clear that no definitive information on costs for specific insurance, bonding or fees would be generated. The calculation of premiums is too complicated a process to produce general figures; premiums are dramatically affected by a number of variables - type of business, assets of the company, the nature of the contract, the "track record" of the business, general industry conditions, etc. The information received from the industry representatives was valuable input for planning the focus group sessions and stimulating a general discussion of the issues.

#### CONTACTS WITH TECHNICAL ASSISTANCE ORGANIZATIONS

The consultant team identified a number of organizations which have resources for assisting minority and women-owned businesses in a variety of ways. Discussions were held with representatives of these organizations and many of them were invited to participate in the focus group sessions. Information obtained from these sources confirmed the problems faced by many of the targeted businesses in qualifying for the bonding and insurance associated with City contracts. In most cases, the organizational representatives volunteered to counsel businesses in need of special help in developing business plans and financial statements





for submission to financial institutions and to bonding and insurance companies.

#### FOCUS GROUP MEETINGS

Special invitations were issued to minority and women-owned businesses, to representatives of the insurance and bonding industries, to technical assistance organizations and to interested individuals in selected governmental agencies to participate in small group discussions on the results of the study. Two focus group sessions were held and participants were encouraged to help develop recommendations for solving the problems that had been identified. The interchange among the participants helped to clarify a number of issues. The summary sheets distributed (see Appendix D) were compiled to provide the basis for several of the recommendations.

#### SURVEY OF LITERATURE AND OTHER JURISDICTIONS

During the course of the study, numerous articles appeared in local and national publications about the crisis in the insurance industry. The consultant team monitored these stories and included the information in the deliberations with the participants. Copies of a sampling of those articles appear in Appendix E. In addition, telephone interviews were held with appropriate officials in San Mateo, Marin and Alameda counties to ascertain the procedures used in those jurisdictions to deal with problems of insurance and bonding. A lengthy interview was held with the President of the national Minority Contractors' Assistance Program (MCAP) and information was received from the Golden Gate Bridge District concerning their responses to the issues addressed in the study.

These techniques produced a wealth of information on which to base the final recommendations of the consultant team.



CHAPTER THREE: SURVEY OF DEPARTMENTS

The survey of City and County departments and agencies revealed the fact that thirty-six agencies engage in outside contracting with businesses operated for profit. Other City and County agencies limit their contracting to non-profit organizations. For the purposes of this study (since Ordinance 139-84 applies only to businesses operating for profit), information was recorded only for those departments or agencies awarding for-profit contracts.

A review of the data submitted highlighted the difference in the requirements applied to personal services contracts, construction contracts, and leases and concessions (see Appendix F).

GENERAL RESULTS

Of the thirty-six agencies which award contracts to for-profit businesses, twenty-eight indicated that they do require specific bonding, insurance and fees to be posted. The other eight agencies had a variety of answers to the question:

- Board of Supervisors: The Board is a LEGISLATIVE body; does not conduct bidding operations.
- City Attorney: We follow contract guidelines of the City Purchaser.
- District Attorney/Family Support Bureau: Most goods and services are purchased through annual, renewable term purchase agreements or service/maintenance agreements that do not require a formal contract with insurance or bonding.
- Public Library: The Library processes all TPA's and contracts through the Purchasing Department.
- Mayor's Office: has very few contractors, and when a new contractual relationship is initiated, preliminary outreach, bids, etc. are usually conducted by another city department and the group that is requesting the contract.
- Treasurer: None of the three specialized contracts of the Treasurer's Office require any bonding, insurance or fees. The three contracts are for: a) a fiscal agent in New York redeeming City bonds and coupons (since 1968); b) a "Money-max" investment program maintenance and time sharing by Wismer Associates which developed the original program (since 1974); and c) a money market service from New York City by Telerate Corporation via video display in the Treasurer's Office (since 1978).
- Sheriff's Department: The MBE/WBEs under personal service contracts are not required to have insurance.
- Real Estate: Usually additional language is added allowing certificates of deposit or letters of credit in lieu of bonds.



#### WAIVING/ADJUSTING REQUIREMENTS

Nearly sixty percent (60%) of the City departments and agencies reported that the bonding, insurance and special fees "required" can be waived or adjusted under specific circumstances. The most common response was that, in consultation with the City's Risk Manager, changes could be made in these requirements. (See Appendix G, for a listing of common requirements.)

The three most frequently required types of insurance are:

- Workers' Compensation and Employer's Liability: Standard limit \$1,000,000
- Comprehensive General Liability: Standard limit-\$1,000,000; range- \$300,000 to \$5,000,000
- Auto liability: Standard limit- \$1,000,000

Bonding requirements which are frequently imposed on construction contracts awarded by various agencies are:

- Blanket Fidelity Bond: Standard limit \$1,000,000
- Bid Bond: Standard 10% of the bid
- Faithful Performance Bond: Standard - 50% or 100% of the contract (100% on Federal contracts)
- Labor and Materials Bond: Standard - 50% or 100% of the contract (100% on Federal contracts)

Waivers on insurance requirements can be made and often are - either at the sole discretion of the agency or department head, or in consultation with the Risk Manager. Auto insurance may be waived if the contractor is not using a car in the performance of the contract; comprehensive general liability may be raised or lowered from the standard \$1,000,000 depending on the assessment of the awarding authority as to the potential exposure to risk the City has under the contract, the amount and duration of the contract, or the type of work to be performed.

#### MBE/WBE PROBLEMS WITH REQUIREMENTS

Only eight of the agencies responding believe that there are specific problems with minority and women business enterprises meeting the bonding/insurance/fee requirements for City contracts. However, these agencies provided examples of the problems brought to their attention: high costs of bonds and insurance; inability to qualify for bonding/insurance because of lack of a "track record" in business; no "lines of credit" with financial institutions; reluctance of carriers to write fidelity bonds for security firms because of "arrest and conviction"



clauses; decisions by insurers and bonders not to provide coverage for for entire occupational categories (e.g. structural engineers).

The Airports Commission reported that, in a special survey conducted by the Commission staff in March 1985, many respondents indicated that sub-tenants had trouble meeting some of the financial requirements imposed:

Yes, we experienced problems in getting bank loans, lines of credit, and merchandise for our sub-tenants. New businesses are more difficult to get financial assistance for than we anticipated. We ended up co-signing on all loans.

The principal concessionaires at the airport, to whom the survey was addressed, were supported in their view by the sub-tenants who expressed the opinion that they could never have obtained an airport concession without the help of the principal concessionaire; the bid, capital investment and bond required of them would have been too high.

Several of the other City agencies indicated that prime contractors had assumed the bonding and insurance requirements for minority subcontractors in order to qualify them to work on a City contract. The requirements had not been waived; they had been passed on to the prime contractor.

#### OTHER SURVEY RESULTS

It is important that prospective bidders or contractors have clear information about the process for obtaining City contracts. The survey asked agencies if they provided written information about the bidding process and bonding/insurance/fee requirements to all prospects. Six agencies responded that the Purchasing Department handled this for them; fourteen agencies responded affirmatively to the question:

+ Airports Commission	+ Public Utilities Commission
+ Arts Commission	+ Public Works Dept.
+ City Planning	+ Purchasing Department
+ Housing Authority	+ Real Estate Department
+ Human Rights Commission	+ Recreation and Parks Dept.
+ Port Commission	+ Redevelopment Agency
+ Public Health Dept.	+ Social Services Dept.

Thirteen agencies maintain their own lists of MBE/WBE contractors and vendors; many agencies and departments rely on the directory provided by the Human Rights Commission and the Purchasing Department.





In general, the results of the survey highlighted the fact that there are no rigid, uniformly applied requirements for insurance, bonding or special fees. While there are certain types of insurance or bonding which are suggested, they may be waived or adjusted in many cases.

The processes for deciding what should or should not be waived are not clear; some agencies seem to have the authority to make this decision in-house; others claim that changes are made only in consultation with the Risk Manager or the Purchaser; still others discount their role in the decision and lay all the burden on the Purchaser's Office for setting the "standard" requirements and determining when they should be adjusted.

Discussions with the City's Risk Manager, Keith Grand, confirm that there is no consistent policy on what insurance/bonding/fees are necessary to protect the City adequately. He indicated that the determination should be made according to what is appropriate to the job being performed and what will provide the City with adequate protection from risks related to the performance of the contract. Because there is no centralized contracting agency for the City, there are variations in implementation of policies. He sometimes does not get called into a discussion until major problems have been identified. Determining an appropriate insurance/bonding level is difficult because many factors must be considered. The dollar amount of a contract may not be the determining factor, because there are some small contracts in which the overall risk is great. For example, an electrician wiring a section of a hospital may have a small (less than \$1,000) contract, but the risk under that contract is great (the electricity might fail in the midst of an operation). The high incidence of litigation in the City also raises the need for risk-protection.

The Risk Manager endorsed a "Contracts Manual" as a guide for all City departments and agencies and recommended that contract administrators be well trained in insurance principles; he supports the idea of bringing City contract administrators together to discuss a better system of coordination. He also suggests that consultation take place before the RFP has been issued so that only relevant requirements are included.

The City may need to evaluate the requirements imposed in light of the record of claims that have been made as a result of specific outside contracts. That information is not presently available.



The results of the survey of the City departments and agencies are detailed in Appendix H. The specific comments from the agencies provide useful information on the processes involved in contracting with the City. The diversity of the responses suggests the need for better communication among the agencies, and for some general guidelines on insurance and bonding requirements. It is also important to note the significant difference, from department to department, in the allocation of staff to the contract administration function. In some cases, the units are well-staffed with personnel who are very knowledgeable about insurance and bonding; in other cases, units are understaffed and have inexperienced personnel who must carry the burden of contract administration.



**CHAPTER FOUR: SURVEY OF MINORITY/WOMEN BUSINESSES**

The survey mailed to nearly 600 minority and women-owned businesses was designed to identify the problems of the City's insurance, bonding, and fee requirements applied to City contracts as they are perceived by the businesses targeted for benefits under Ordinance 139-84. The businesses which received the questionnaire were selected from various sources: the listings of businesses certified by the San Francisco Human Rights Commission, supplemented by businesses included in the California State Directory of Minority and Women-owned Business Firms and specifically selected from our own resource lists. The expanded mailing list was developed so that it would include individuals not necessarily knowledgeable about the particular requirements of Ordinance 139-84.

**GENERAL RESULTS**

More than one-third of those surveyed responded to the questionnaire, confirming the importance of the issues under study. Many respondents also called the consultant team directly to expand on their responses and to ask for help in meeting some of the insurance and bonding requirements with which they were faced.

A striking disparity between the results of this survey and those of the one sent to City Departments and agencies is in the perception of the problem. Less than one-fourth of the agencies recognized bonding and insurance requirements as a barrier to the participation of MBEs and WBEs in city contracting. In contrast, nearly fifty percent (99) of the MBEs and WBEs responding referred to the difficulties they had meeting these requirements. A possible reason for the disparity is that the businesses which finally bid or respond to a Request for Proposal (RFP) may have already found some type of solution to the problems that seem insurmountable to the respondents in the MBE/WBE survey. In other words, the agencies are seeing those who have learned their way around the system; they are not seeing hundreds of others who have been blocked by the up-front requirements. Analysis of some of the responses to the MBE/WBE survey confirms this assumption. Eighty-seven of the respondents have never submitted a bid or proposal to any agency. More than half (64) of those who submitted proposals were awarded contracts.

Nearly 87% (174) of the respondents have registered with the San Francisco Human Rights Commission and are therefore eligible for the benefits contained



in the ordinance.

While only eight (8) of those responding indicated that they had forfeited or been unable to accept a contract they had been awarded because of their failure to meet the necessary insurance/bonding/fee requirements, many others noted that they had decided not to try for a contract precisely because of difficulties with these financial requirements. For example, one business which responded "no" to the question went on to comment:

Our participation in most projects is small, and the demands of the insurance premiums are much too high for us to carry. Our fee for a job could be \$12,000; yet the premium is \$10,000!

Another respondent who answered "yes" to the question stated:

I was unable to accept because I was not successful in securing a fidelity bond. I also lost a \$1,000 deposit and time and energy because I couldn't come up with the necessary bonding after I had been awarded a city contract.

The problems identified were not limited to new businesses. The difficulties were driven home to this consultant during efforts to secure the "required" \$1,000,000 coverage for Comprehensive General Liability and Auto Liability insurance in fulfillment of this contract. Extraordinary attempts were made by a number of friends in the insurance business to obtain coverage, but they came face to face with adamant statements from companies that they were simply not insuring small, professional services businesses - regardless of their "track records" and longevity. Reduced coverage was finally purchased at a premium that had escalated from the prior year's cost of \$350 to the 1985 premium of \$4,000!

The "Catch-22" nature of the problem was summed up by one respondent:

Bonding is the major stumbling block in our way. Our company's size is dictated by it because we cannot bid a job past our bondability. In that we have to bid small jobs, we cannot generate the necessary capital to expand to larger jobs.

Others were frustrated by the feeling that they could do the job once they had it, but couldn't get it because of the cost of bonding/insurance.





Some respondents noted that large contractors can get bonding at much reduced rates as contrasted to MBEs and SBEs:

Bonding is 12% for MBEs and SBEs, and that is too high, while the large contractors can get the bonds for 1½%.

Another respondent protested that:

The coverage required for professional liability is excessive and extremely expensive. Our PL has just been increased to \$19,000 (premium). Perhaps the requirements on coverage could be reduced to \$250,000 instead of \$1,000,000.

The underlying theme in many of the comments is that MBEs and WBEs are caught in the bind because they are small and newly-organized, not because of blatant and obvious discrimination.

#### **ALTERNATIVE APPROACHES**

The problems cited by respondents are not unique to San Francisco; similar requirements apply in other jurisdictions. Some respondents shared their experiences with alternative approaches which included:

- The City paying the insurance premium or the agency carrying the insurance and assuming contract management of the project
- Cancelling the requirement for bonding when it became apparent that minority businesses were prevented from bidding by the imposition of the requirement
- A general contractor assuming the cost of bonding and insurance
- On-site review of the business capability of an MBE by a government agency which then waived the bonding and insurance
- Retention of 10% of the contract amount pending successful completion of the job - in lieu of bonding and insurance requirements
- Bidding on a two-year contract, and using the bonding capacity for one year at a time

One respondent agreed that there were problems for MBEs, WBEs and SBEs with the present requirements, but conceded that it was important that bonding



companies exercise caution in approving reduced bonding limits.

The "creative" experiences described were related by 23 respondents who had done business with public entities other than San Francisco. Slightly more than one-quarter of the respondents (52) reported no particular problems with bonding, insurance and fees; one respondent stated:

Our firm has engaged in major contracts  
for twenty-five years without any  
problems.

In determining its final recommendations, the consultant team carefully reviewed the comments made by the MBE and WBE respondents.

#### **OTHER SURVEY RESULTS**

More than fifty percent of respondents were willing to participate in a problem-solving meeting, and seventy-five percent were interested in a follow-up interview. These responses are indicators of the substantial interest expressed in the entire issue of bonding and insurance as factors in the possibilities for success that are open to MBEs and WBEs. The consultant team used the responses to these two questions as it evaluated whom to invite to participate in the two focus group sessions organized to discuss possible solutions.

Clearly, many of the business executives who answered the questionnaire feel strongly that these comprehensive financial requirements seriously handicap their efforts to grow and prosper as commercially sound enterprises in the City. A substantial number of respondents believe that some of the requirements could easily be modified without placing the City in any greater jeopardy. Many also believe that the City should play a stronger role in assisting them to meet the valid bonding and insurance requirements that are now in effect.

Details on the complete survey may be found in Appendix I.



CHAPTER FIVE: VIEWS FROM THE INSURANCE INDUSTRY

Initial efforts to develop a key list of insurance and bonding agency representatives who could be surveyed by mail were not successful. The telephone listings were not descriptive enough to provide clues that would permit us to identify the "movers and shakers" of the industry. It was important for us to find the companies and the individuals who could be expected to have expertise on the insurance and bonding requirements for City contracting.

As an alternative approach, the consultant team used its own network to generate a list of influential and knowledgeable people associated with the insurance and/or bonding industry. In early calls to these individuals, additional names surfaced and were added to our contact lists.

Some people were interviewed in person; others were telephone-interviewed. The recurring theme in each of these interviews was the dynamism of the industry - its continuing twists and turns to respond to the endlessly shifting priorities it faces. Each interview confirmed the constant litany in the daily newspapers (see Appendix E) on the troubles within the industry. At the root of those troubles, as the industry people saw it, was the long period of low-rate insurance and the high incidence of litigation which had severely strained the financial base of many of the old-line insurance agencies as well as the newcomers to the field. In their words, it was "catch-up" time and, for survival reasons, many companies were taking a hard line on what to underwrite. Some had elected to drop from their portfolios whole categories of businesses which had long had little problem with insurance coverage. While some of these discarded businesses had been low-risk clients, they were also low-profit consumers of the shrinking insurance dollar. The cost of servicing these accounts outweighed the returns to the companies involved, according to the agents interviewed. Several of the agents recognized that their "business" decisions had racial and sex bias impacts, but they discounted the suggestion that subtle (but pervasive) discrimination was at work. They agreed that there probably were disproportionately large numbers of small MBEs and WBEs affected by the insurance changes, but argued that it was the smallness and newness of these companies that put them "at risk," not illegal discrimination.



The agents and companies contacted were extremely cooperative; they not only willingly shared information with the consultant team, but also responded positively to our invitation to participate in the focus group sessions which were planned.

In spite of the highly publicized problems of the industry, several of the agents interviewed contended that it was still possible to write the proper insurance for companies, provided that technical assistance could be given to the small minority or woman-owned businesses on how to assess their assets and prepare the necessary papers on which the bonding and insurance decisions would be made.

The discussions with industry representatives yielded very valuable information on the internal decision-making processes of insurance purveyors.





CHAPTER SIX: TECHNICAL ASSISTANCE ORGANIZATIONS

More than fifteen years ago, the National Urban Coalition created, and later "spun off" as an independent organization, the Minority Contractors' Assistance Project. That project now functions as a nonprofit corporation, based in Washington, D.C., organized for the express purpose of helping minority contractors obtain a greater share of the nation's construction industry. MCAP also has a Bonding and Insurance Agency which specializes in underwriting the bid, payment and performance bonds needed to undertake construction contracts.

This organization is only one of many which are providers of technical assistance to minority, or in other cases, women-owned businesses. The consultant team identified a representative group of these agencies and invited them to participate in the focus group sessions.

Since these agencies are specifically charged with providing a wide range of services to small "disadvantaged" businesses, they represent a collateral resource for the San Francisco Human Rights Commission in its efforts to enforce the mandates of Ordinance 139-84. The surveys undertaken during the course of this study underscore the multiple needs of the businesses operated by women and minorities. It makes no sense to duplicate existing programs when cooperation will produce a network of service-providers whose resources can be tapped in behalf of minority and women-owned businesses.

A list of such agencies and organizations can be found in Appendix J.



**CHAPTER SEVEN: FOCUS GROUP SESSIONS**

During the course of the study, the consultant team convened two focus group meetings in which minority and women businesses, representatives from the insurance industry and technical assistance organizations, staff from City government agencies and other interested parties were given the opportunity to discuss the findings of the study and to make recommendations for improving the situation with regard to the financial requirements attached to most City contracts.

The sessions were purposely kept small so that meaningful discussion could take place. Invitations went to individuals who had already expressed an interest in coming together to offer solutions. (See Appendix K for a list of invitees, and Appendix L for the letter of invitation and response form.) Attempts were made to "balance" the groups so that the various interests would be represented at each session. The consultant team prepared basic information on insurance and bonding requirements, a sample of a typical clause on insurance in a personal service contract with the City (see Appendix G), a summary of the kinds of issues raised about the insurance and bonding requirements by MBEs and WBEs, and a "summary" form on which participants could indicate their concerns and recommendations (see Appendix D for a copy of the form).

The discussions were lively in each session as participants shared their concerns, their experiences and their expertise. Industry representatives reiterated the problems that had beset the surety bond industry - on a world-wide basis. High loss ratios over a period of years have forced the industry to re-evaluate its criteria for insuring/bonding and its premium schedules. In fact, there has been a virtual moratorium on insuring and bonding small new businesses. Where such insurance is issued, it usually also comes with a high price tag. MBEs and WBEs present detailed the problems they faced in trying to enter this market in order to conform to the requirements of City contracts. They are usually small and undercapitalized; they are recent entries into entrepreneurship and do not have a "track record." These factors all operate to make them "high risk" as far as the industry is concerned. Professional services (e.g. doctors, lawyers, dentists, architects, engineers, etc.) are particularly hard-hit in the insurance market and many find that they are "uninsurable" from the point of view of the



industry. These professions also find themselves the targets of litigation from an increasingly "sue-happy" populace and insurance becomes a must. They either pay the dramatically increased premiums set by the industry or, as is happening in many professions, they band together with others in their occupational areas to form their own insurance groups. Another alternative is to be uninsured, but that is not an alternative for those seeking to do business with the City and County of San Francisco.

Setting the premiums on insurance is a complicated task. The Insurance Services Offices (ISO) gathers information for the insurance industry and publishes suggested rates for various categories of businesses and occupations. Gary Robinson, who has written a practical guide on insurance for the businessperson<sup>\*</sup> in which he discusses rates, says:

The ISO publishes rates that will result in an overall loss and expense ratio of 95 percent. This means that the total cost of insuring a risk should take 95 cents out of every dollar. This leaves 5 cents for underwriting profit.

As of this writing (1984), the advisory ISO rates are being discounted to the point where the overall loss and expense ratio (referred to as the combined ratio) is approximately 114 percent. Thus, for every dollar received as insurance premiums, \$1.14 is paid out.

(page 5-1)

Obviously, insurers are going to be very sensitive to the risks they are facing when insuring a particular business. Industry representatives at the focus group sessions were uniform in their advice to MBEs and WBEs about the importance of maintaining good financial records which can be submitted when applying for insurance and bonding. The information supplied must be "credible" and small businesses are well-advised to invest in a good accountant to maintain the records and prepare the financial statements that are critical to obtaining bonding, loans, and lines of credit. One industry representative at the session put it concisely:

The three "C's" of bonding are:  
Capital, Capacity, and Character.

The MBEs and WBEs present indicated that the problems of small business were that they were long on the last C (character), were trying to build

---

\* Robinson, Gary. GETTING THE MOST FROM YOUR BUSINESS INSURANCE. 1984, Oasis Press, 1287 Lawrence Station Road, Sunnyvale, CA 94089 (408) 745-7093.



the middle C (capacity), and were suffering from a shortage of the first C (capital). As these businesses try to improve their positions, they are caught in a "Catch 22" situation of not being able to build capacity without capital, or gain capital without capacity. High insurance costs simply add to their problems.

There was strong consensus in the room that the City's "requirements" for insurance and bonding seem not to have a valid basis. Not all contracts warrant \$1,000,000 in insurance coverage. Participants felt that the amounts of insurance and bonding should reflect an actual evaluation of the potential risks to the City, the competence of the contractor, and the nature and amount of the contract.

The insurance agent is an important player in the game and MBEs and WBEs were advised to shop around to get an agent who is capable of providing the best service and of assessing which companies are the best for specific types of coverage. Each carrier has certain "idiosyncrasies" and it is important for agents to know the special expertise needed and which carriers have it. The insurance agent can also act as an educator - by giving assistance to the business in determining what types of insurance should be carried on a regular basis and what special coverages are necessary for particular situations. Several industry associations provide opportunities for businesses to learn more about insurance and bonding:

- Insurance Educational Association
- Independent Insurance Agents &  
Brokers of California
- Professional Insurance Agents

When determining the insurability of a business, background information (in addition to the financial information) on both the individual and the business is evaluated. The specifics on the contract for which the insurance is sought are also helpful to the agent.

MBEs and WBEs discussed the specific problems they faced because of the significantly increased insurance costs. In bidding on a particular contract, insurance costs are estimated as part of the bid; by relying on last year's insurance rates, many bidders have seriously underbid on current contracts and may face losses, rather than profits on contracts they have won. Insurance representatives also stressed the importance of giving the agent





sufficient time to shop for the best carrier and the best rates. Last minute requests for bonding and insurance do not produce the most economical responses.

In addition to the coverage required by the city, other factors may cause difficulty in getting insurance at reasonable costs. Among these are:

- Arrest and conviction clauses
- Third party liability
- Naming the City and County as "additional insureds"

The more these requirements are included, the more difficult it is to get economical insurance coverage for a business.

In the discussions on bonding, it was pointed out that bonding has a very different focus from insurance. The assumption behind the posting of a bond is that the individual/business has the capacity to repay the bond in the event of loss. Therefore, the stability of the business is an important criterion for guaranteeing the bond. The more stable and successful the business, the lower the rate for bonding. In the general discussion, it was agreed that small businesses need more information on the bonding process - what is needed and where to go for help. As with insurance, many participants agreed that the amount of bonding required by the City is too high. Much of the present difficulty of MBEs and WBEs in acquiring bonding could be alleviated by the City's reducing the amount required. Performance bond requirements were viewed as much too stringent for the small business; only the larger firms can meet these requirements. Many MBEs and WBEs don't bid - not because they cannot do the job, but because they cannot afford the cost of the performance bond. In addition, some bonding companies will only accept financial statements prepared by a Certified Public Accountant (CPA), thus escalating the cost even further for the small business. If the job is large enough to provide a good profit, the costs can be absorbed; otherwise the cost is prohibitive.

One of the participants suggested that the San Francisco Human Rights Commission might be able to pre-qualify bidders and keep a roster of firms who are financially stable and capable of performing on contracts of a specific size. The pre-certification would require a system for verification of capability - financial statements, history of losses, credit reports, etc.



It might be possible to defray the expenses for the process through contributions from the businesses served.

The discussion also focused on efforts that could be made to restructure some of the contracts - e.g. breaking a large contract into smaller segments which could be handled by small businesses. As successes accumulate, each business could begin to increase its capacity to bid on and win the larger contracts.

Participants at both focus group sessions agreed that there should be more opportunities for interaction among City agencies, insurance and bonding industry representatives, and the businesses seeking contracts. As each sector learns more about the problems and strengths of everyone else involved, the process could be made more equitable for all. Many participants in the two sessions indicated a willingness to continue the discussions in an effort to work out solutions.



CHAPTER EIGHT: SURVEY OF LITERATURE AND OTHER JURISDICTIONS

The "crisis" in the insurance industry has had nationwide press throughout this year. A sampling of some of the stories involving cities, child care centers, professionals, businesses and school districts is included in Appendix E.

Many cities, counties and states have programs which seek to increase the participation of minority and women-owned businesses in public contracting. As part of our research for the study, the consultant team selected a few public jurisdictions and requested information about their programs and their efforts to overcome the barriers erected by insurance and bonding problems. This is not a comprehensive survey, but it does provide some guidance on the possible approaches that could be used in San Francisco.

CALIFORNIA

The State of California has a policy commitment to increase the utilization of small, minority and women-owned businesses by State contracting authorities. Major responsibility for implementing the policy lies with the Department of General Services, Office of Small and Minority Business. Its goals and objectives are:

To aid, counsel, assist, and protect,  
insofar as is possible, the interests  
of small, minority and women-owned  
business, and to ensure that a fair  
proportion of the total State of Cali-  
fornia purchases and contracts be placed  
with small, minority, and women-owned  
business enterprises.

Three units of the Office have special responsibilities for implementation: the Small Business Unit; the Small, Minority and Women Business Program; and the California State Contracts Register. There is a 5% preference for small businesses. Through the Small, Minority and Women Business Program, the state gives technical assistance to businesses on the bidding process, licensing, bonding, and insurance requirements and arranges meetings between contracting authorities and those wishing to do business with the State. The California State Contracts Register, started in 1981, centralizes the listing of available state contracts for goods and services.



In addition, the State has a "Prompt Payment Program" which authorizes accounting offices to pay the invoices of properly identified small businesses on a priority basis. Cash discounts of at least ½% for payment within 20 days also expedite payment of invoices.

State agencies which, without reasonable cause, fail to pay the invoices of small businesses within thirty days of the required payment date, are required to pay an assessed penalty of ¼% of the total amount due, per day, to the identified business.

The State does not require insurance or bonding on every State contract; in most instances, however, the State will withhold 10% of every invoice until the contract has been satisfactorily completed.

#### **MARYLAND**

The Maryland Small Business Development Financing Authority (MSBDFA) has been created to assist minority businesses with financing problems. The agency, which has received special funding for this purpose, can guarantee up to 80% of loans made by financial institutions to minority businesses. The agency also works closely with a new private sector program called the Development Credit Fund to underwrite high-risk loans. The DCF is funded by the state and by six of Maryland's largest banks.

MSBDFA also has a contract financing program which can make direct loans or offer a guarantee of up to 90% on working capital loans for Federal, State and local government contracts.

A new program, passed in the 1984 legislative session and expected to be fully operational by 1986, is the Surety Bonding Guaranty Program. The program establishes a \$12 million capital pool to provide bonding for government contracts with a face value of up to \$1 million; it would also provide up to a 90 percent guaranty for a bid performance and payment bond for small business. MSBDFA may also establish a surety bonding credit line to guarantee multiple bonds. The program will be funded by a State general obligation bond.

The state has a 10% purchasing goal for minority business and a 5% price preference for small and disadvantaged/minority businesses.





Calls were made to the counties of Alameda, San Mateo and Marin to ascertain what their policies and procedures were with respect to bonding and insurance. The information received by the consultant team provides some guidance on how other counties handle the issues.

#### SAN MATEO

On General Liability insurance, the "standard" limit is \$1,000,000. The specific requirement depends on the risk exposure. On a large construction project, using many people, a lot of equipment, posing many hazards, the County can and might require more than the \$1,000,000.

If the job requires heavy use of automobiles, they can require \$1,000,000 in auto liability insurance. For services such as an attorney, engineer, programmer, etc, the professional liability requirement is usually \$500,000. All of these types of insurance can be adjusted in amount and the decision on doing this is made on a case-by-case basis.

#### ALAMEDA

The County requires several different kinds of insurance depending on the particular contract - general liability, auto, public liability, completed product (or completed operation), labor and materials, errors and omissions, professional liability. The County uses a Checklist Form (see Appendix M) for each contract, listing all the possible insurance requirements. The form goes to the Risk Manager who checks the appropriate box(es) for what is needed. These decisions are negotiable and staff can request adjustments in the coverage indicated. The County is always included as "additional insured" on whatever insurance is included.

On personal service contracts, insurance requirements are not as rigid; if auto use is high, the County may require auto liability. If the contractor is handling large amounts of money, bonding is likely to be required for that. There are no insurance requirements for vendors. Construction contracts have the most insurance and bonding requirements.

The "basic" requirements are \$1,000,000 general liability; \$1,000,000 automobile; the "requirements" are frequently adjusted downward in consultation with the Risk Manager.



#### MARIN

The amount of insurance required depends on the size and nature of the contract; generally, it is \$1,000,000 for general liability. No automobile insurance is required; however, if they encountered a contract in which extensive use of a private automobile was required, they would look at the necessity of requiring automobile liability. No adjustments are possible at the administrative level; it would take a decision of the Board of Supervisors to change the prescribed insurance.

With some contractors, usually small businesses, the County does not require insurance coverage. Some contracts are so small that the County officials know that any insurance requirement would be a hardship on the contractor.

None of the contractors with whom they work have indicated any problems qualifying for and getting insurance. Most have been in business for a very long time and have "track records" that make it less difficult for them to qualify for reasonable rates in insurance/bonding.

#### GOLDEN GATE BRIDGE DISTRICT

During the course of the study, the consultant team received a Request for Proposal from the Golden Gate Bridge District regarding a study of travel patterns in the Golden Gate Corridor. The contract attached included the insurance required for any contractor selected to do the work: Workers' Compensation and Employers' Liability of not less than \$1,000,000; General Liability Insurance (including automobile operation) of \$1,000,000 limit for each occurrence, with the District and its Directors named as "additional insured"; and Professional Liability Insurance, with a limit of \$1,000,000 for any one claim.

A few days before the proposal was due, a letter was received from the District cancelling the requirement for Professional Liability Insurance (see Appendix N). The consultant team contacted the Bridge District to ascertain why the requirement had been withdrawn. The team was informed that the District had been questioned by a number of potential bidders about the Professional Liability Insurance requirement; the District reviewed its needs and decided that that type of insurance was really not needed for a "soft job" like the travel pattern study; if construction had been involved,



the requirement would not have been withdrawn.

The consultant team has cited these few examples to highlight that the insurance/bonding issue is not a problem limited to San Francisco, nor indeed to MBEs and WBEs. Any public jurisdiction involved in contracting with private firms must be concerned about performance and liability; however, inflexible standards and requirements do not serve the best interests of the contractor or the public entity. Any jurisdiction should have the latitude to adjust a requirement when it appears to be in the public interest to do so. When competent businesses are eliminated from consideration on jobs that they could perform simply because they are not able to meet an excessively high insurance or bonding requirement, some process for review of these "standards" should be available.



CHAPTER NINE: S T U D Y F I N D I N G S

The consultant team collected a substantial amount of information because of the cooperation and interest of those to whom we turned for help. Much of the material has never been available before in one place; the study findings and recommendations should provide background for the decisions that should be made in order to achieve the goals of Ordinance 139-84.

The **FINDINGS** of the study are:

**1. ALL CITY AGENCIES AND DEPARTMENTS DO NOT REQUIRE BONDING, INSURANCE, AND/OR SPECIAL FEES OF THEIR CONTRACTORS OR VENDORS.**

The survey of the Departments and Agencies of the City and County of San Francisco identified thirty-six agencies which award contracts to businesses operating for profit; twenty-eight of these agencies reported that contractors and vendors are required to meet specific bonding, insurance and/or fee-related requirements.

Four of the reporting agencies, which awarded personal service contracts, reported that they have no specific insurance or bonding requirements.

The remaining four reporting agencies indicated that they either made no contract awards, or that the requirements for contractors were imposed by the City, not by the agency.

**2. UNDER CERTAIN CIRCUMSTANCES, MANY OF THE REQUIREMENTS IMPOSED CAN BE WAIVED OR ADJUSTED.**

Seventeen of the agencies which reported that they required specific types of insurance and/or bonding indicated that most of these could be either waived entirely or adjusted. The authority for making the decision is the sole responsibility of the departmental or agency head in some agencies; in most agencies, the City's Risk Manager is routinely consulted before any requirements are changed.

In making a decision, the factors which are weighed are:  
1) What is the City's exposure to risk under the proposed contract? 2) What is the amount and/or duration of the proposed contract? 3) What is the type of work to be performed?

**3. THE MOST FREQUENTLY IMPOSED REQUIREMENTS ARE WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY, COMPREHENSIVE GENERAL LIABILITY, AND AUTOMOBILE LIABILITY.**

The amounts required under each of these kinds of insurance can vary, but there are certain dollar limits that are usually set. In the case of these standard coverages, \$1,000,000 is often stated as the mandated coverage.





The City and County of San Francisco must be included as an "additional insured" for Auto Liability and for Comprehensive General Liability. Where other types of insurance are necessary, the same "additional insured" clause must appear in the insurance policy.

**4. THERE IS A DIFFERENCE IN THE PERCEPTION OF CITY AGENCIES AND POTENTIAL/ACTUAL CONTRACTORS CONCERNING THE IMPACTS OF FINANCIAL REQUIREMENTS.**

In the surveys conducted by the consultant team, the same question was asked of the Departments and Agencies of the City and of the minority and women entrepreneurs: Do you believe MBEs and WBEs have problems obtaining the required insurance and/or bonding?

There was a striking difference in the responses of the two groups. Less than 25% (8) of the responding agencies thought that such problems existed. However, nearly 50% of the 201 MBEs and WBEs who responded (99) cited the bonding and insurance requirements as major problems.

One reason for the disparity in response may be that the departments and agencies tend to see only those businesses which are successful in securing the mandated insurance and bonding.

**5. THE INSURANCE INDUSTRY IS IN A PERIOD OF DRAMATIC CHANGE.**

There is consensus among all sources that rates for insurance are escalating rapidly. Industry representatives agree that 1985 insurance rates are at least 300% higher in most categories than 1984 rates. The one category in which this appears less true is in Workers' Compensation; sources indicate that these rates tend to be stable because of the State Compensation Insurance Fund's influence on the industry.

Industry representatives report that there have been high loss ratios within insurance companies for several years. Litigation and unexpected "natural disasters" are cited as two reasons for the losses. The industry is compensating for those losses by re-evaluating its clients and its rates.

The market is so bad that there have been industry-wide decisions not to accept high risk new clients like small businesses which have been recently formed; some occupational categories (e.g. structural engineers, architects, etc.) are also finding it nearly impossible to obtain insurance; those that are successful report extremely high premiums.

As insurance industry rates escalate beyond the "ability to pay," some occupations and professions are opting for pooling their resources to provide "self-insurance."



**6. THERE IS ADVERSE IMPACT ON MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES BECAUSE OF THESE CHANGES IN THE INSURANCE INDUSTRY.**

As the requirements to qualify for insurance and bonding become more stringent, there is a disproportionate impact on minority and women-owned businesses. Insurance and bonding companies tighten their qualifying guidelines to demand detailed financial statements, explicit "track records" of performance, substantial financial reserves, and longevity as a business. Many of the MBEs and WBEs who are seeking City contracts are newly-formed and cannot meet these tightened standards.

**7. THERE IS AN ADVERSE IMPACT ON MINORITY AND WOMEN-OWNED BUSINESSES BECAUSE OF THE CITY'S REQUIREMENTS FOR HIGH LIMIT INSURANCE, BONDING, AND FEES.**

In the face of the industry's more stringent policies, minority and women-owned businesses - which are often relatively new and frequently undercapitalized - are particularly disadvantaged when the City places strict requirements for high limit insurance and bonding.

These businesses frequently find it difficult to get loans and lines of credit from traditional funding sources; they have no surplus capital of their own; and they cannot meet the tougher standards of the industry. Performance bonds - always relatively costly - are now virtually outside the means of many of the MBEs and WBEs who are trying to improve their capacity to compete in the market. If they can get the insurance or bond, they must either raise their bids so high to cover the cost that they cannot compete with more established businesses OR they decide not to compete at all because they know that they cannot get the required financial guaranties.

**8. THE RATIONALE FOR REQUIRING SPECIFIC LEVELS OF INSURANCE AND/OR BONDING IN SOME CASES AND NOT IN OTHERS IS DIFFICULT TO JUSTIFY.**

The consultant team did its best to find out how the limits required by the City were determined; the answer was not forthcoming. Many people who responded said that it has always been at this level; no one seemed to know when the requirements were imposed and why.

There do not appear to be any City-wide guidelines that can be applied in deciding when and if the limits should be either waived or adjusted. The present "system" places the onus for making those decisions on the individual contracting authority. If he/she takes the initiative and consults with the proper persons (Risk Manager, Director, etc.), changes may be approved. Therefore, if one contracting authority has a contracts administrator who is assertive, the requirements for that agency may be substantially different from another agency which has a less assertive (or more overworked) administrator.



The consultant team carefully reviewed all the information collected in an effort to assess the possible influence that racial, ethnic or sex discrimination might have on the procedures implemented by the City. It is not possible to look into the hearts and minds of each contract administrator to uncover any possible evidence of personal prejudice. Fortunately, it is not necessary to do that. Regardless of what is in the hearts and minds of these individuals, the reality is that the present procedures have the effect, if not the intent, of discriminating against MBEs and WBEs.

Ordinance 139-84 is the established policy of the City and it places strong emphasis on efforts to increase the participation of minority and women-owned businesses in the City contracting process. The record of underutilization in the past is clear; the study suggests that one reason for that underutilization is the stringent requirement for specific insurance and bonding. Many of the respondents in the study recounted their problems and indicated that they either did not bid or that they bid, won and then could not qualify for the insurance and therefore lost the contract. If the underutilization is to be corrected so that the goals of the ordinance are met, then some revision in the present requirements is necessary.



CHAPTER TEN: R E C O M M E N D A T I O N S

The study has revealed a number of problems with the present system under which contracts are awarded in the City and County of San Francisco. Because there are many different departments and agencies which award contracts, it is understandable that various approaches are taken to establishing and implementing standards. It is also important that any system have the flexibility to adjust to legitimate special circumstances. However, there should be clear guidelines on when and how these adjustments are permitted. If Ordinance 139-84 is to have the desired result - increasing the participation in City contracting of minority and women business enterprises - then it is important to take steps to improve the standards under which contracts are awarded.

The consultant team makes the following **RECOMMENDATIONS** that:

**1. THE HUMAN RIGHTS COMMISSION IMMEDIATELY CONVENE A MEETING OF THE APPROPRIATE STAFF PERSONS IN EACH AGENCY WHO HAVE RESPONSIBILITY FOR CONTRACT ADMINISTRATION TO:**

- ☐ Review the requirements in each agency for bonding, insurance and special fees
- ☐ Discuss the rationale for the requirements and revise them, as necessary to reflect the present needs of the City
- ☐ Standardize the procedures for waiving and/or altering requirements in specific situations

NOTE: The Risk Manager and representatives from the Office of the Controller, the Office of the City Attorney, and the Purchaser's Office should be involved in the discussions to assure that legal and fiscal policies are sound.

**2. THE HUMAN RIGHTS COMMISSION ARRANGE A MEETING (OR MEETINGS) BETWEEN APPROPRIATE CITY REPRESENTATIVES AND REPRESENTATIVES FROM THE INSURANCE AND BONDING INDUSTRIES TO:**

- ☐ Discuss what "reasonable standards" of insurance and bonding should be and what can be done to lower the cost for needed coverage





- Review the factors for evaluating potential risk to the City in the contracting process so that standards can be set for deciding when specific requirements can be waived or adjusted
- Explore alternative approaches for minimizing the anticipated risk or spreading the risk in ways that do not jeopardize the City nor bar MBEs and WBEs from qualifying for City contracts
- Develop an ongoing, cooperative relationship between the insurance and bonding industries and the Human Rights Commission so that a technical assistance/education program can be implemented to help MBEs and WBEs evaluate their insurance and bonding needs and gain the expertise to prepare the information which will qualify them for coverage in the general market

**3. THE HUMAN RIGHTS COMMISSION AND THE PURCHASING DEPARTMENT DEVELOP AND MAINTAIN AN ACTIVE/CURRENT ROSTER OF INSURERS/BONDERS TO WHOM MBEs AND WBEs CAN BE REFERRED FOR COUNSELING AND OTHER TECHNICAL ASSISTANCE ON:**

- The appropriate levels and types of insurance that should be carried for the type of business
- How to prepare financial and planning information on the business in a format and with the proper content that will enhance their ability to qualify for conventional financing and insurance or bonding

NOTE: Technical assistance organizations which can provide help to these businesses should also be included on the roster.

**4. THE HUMAN RIGHTS COMMISSION, WITH THE COOPERATION OF THE APPROPRIATE ASSOCIATIONS OF THE INSURANCE AND BONDING INDUSTRIES, UNDERTAKE AN EDUCATIONAL EFFORT AMONG SMALL BUSINESS OPERATORS WITH REGARD TO:**

- Determining minimum/optimum insurance and bonding coverage for their businesses
- Preparation of bonding and insurance applications
- Selecting and evaluating an insurance agent
- Estimating insurance costs realistically in the preparation of bids and proposals

NOTE: This type of an educational approach could include books and pamphlets, videotapes, slide presentations, seminars and workshops, etc.



**5. CITY AND COUNTY OFFICIALS SEEK THE ASSISTANCE OF THE STATE DEPARTMENT OF INSURANCE AND STATE LEGISLATORS IN DETERMINING IF EXISTING LAWS AND POLICIES ARE BEING VIOLATED AND IF ADDITIONAL LEGISLATION IS NEEDED TO:**

- ☐ Curtail midterm cancellations of existing insurance coverage
- ☐ Limit arbitrary industry decisions not to renew coverage or not to include certain occupations for specific coverage
- ☐ Halt unjustified, spiralling premiums for the coverage that is required for most businesses

**6. CITY AND COUNTY AGENCY STAFF WHO ARE ASSIGNED PRIMARY OR COLLATERAL RESPONSIBILITY FOR ADMINISTERING THE CONTRACT PROGRAM:**

- ☐ Receive direct and specific training in these duties so that they are current on changes in the industry and in legislation affecting their duties
- ☐ Have access to specific contact persons on the staffs of the Purchaser, the Risk Manager and the City Attorney so that they can seek advice on the requirements applied to specific contracts

**7. THE HUMAN RIGHTS COMMISSION WORK COOPERATIVELY WITH APPROPRIATE CITY AND COUNTY DEPARTMENTS AND AGENCIES TO DEVELOP AN INFORMATIONAL GUIDE TO DOING BUSINESS WITH THE CITY AND COUNTY OF SAN FRANCISCO, TO INCLUDE SUCH INFORMATION AS:**

- ☐ An explanation of Ordinance 139-84 and related programs in the City and County
- ☐ Descriptions of the purchasing and contracting procedures for City departments and agencies
- ☐ Specific information on insurance, bonding, and fee requirements in City contracting
- ☐ Listings of public and private resources for technical assistance

NOTE: The guide should be widely distributed and should routinely be made available to anyone seeking to do business with the City and County agencies. A similar guide has been produced by the State Office of Small and Minority Business.



8. THE MAYOR AND THE BOARD OF SUPERVISORS ENACT INTO LAW A "PROMPT PAYMENT" POLICY SIMILAR TO THE ONE WHICH IS IN EFFECT AT THE STATE LEVEL REQUIRING:

- Appropriate accounting offices to pay the invoices of identified small businesses on a priority basis
- The assessment of a penalty of  $\frac{1}{2}\%$  of the amount due, per day, if payment has not been made within 30 days of the required payment date.

NOTE: This recommendation is offered because of the frequency with which respondents noted that slow payment by City agencies places small businesses in financial jeopardy.

9. A SPECIAL REVOLVING FUND BE ESTABLISHED TO MAKE SHORT TERM LOANS TO QUALIFIED MINORITY AND WOMEN-OWNED BUSINESSES, UNDER CLEARLY DEFINED GUIDELINES.

- The consultant team carefully reviewed the information received from a variety of sources, including the comments from the minority and women entrepreneurs who responded to the questionnaire. The burden of that information is that financial requirements related to doing business with the City are barriers to the equitable participation of MBEs and WBEs.
- Many of the requirements appear to be exorbitant in cost and of dubious value in assuring that the Contractor performs. The policies tend to permit larger, more established business to lock up City contracts because they are able to absorb the cost of such requirements. Most small MBEs and WBEs cannot do this. The result is that many of them are disqualified from bidding on or winning City contracts; others simply do not offer a bid because they know they cannot get the qualifying insurance or bond.
- A Revolving Fund, to which an otherwise qualified business might apply for guaranties of performance, might solve the problem. The City could have the assurance of the protection bonding provides and the small MBE or WBE would have a chance to compete for larger contracts, thus building their capacity and developing surplus capital. They could pay the Fund back in a variety of ways during the contract period so that money would circulate through the Fund to provide help to other businesses in need.



10. A SMALL TASK FORCE BE CREATED, UNDER THE AUSPICES OF THE MAYOR AND THE BOARD OF SUPERVISORS, TO EXPEDITE THE CREATION OF SUCH A FUND.

- There is some question as to whether a City Fund can dispense money in advance of the performance of a service which can be compensated. The Task Force should be given the responsibility to determine how the Fund can be initiated within the present mandates of law and the Charter.
- There are other areas which have created Funds. The Maryland experience cited in the report may offer guidance on how best to establish funding.
- In reviewing the alternative funding possibilities the Task Force should consider a Fund which is created, funded and operated by the City; a Fund which is a quasi-public corporation; a fund which is jointly sponsored by the public and private sectors; a fund which is created and operated by the private sector alone.
- The Task Force should have a short term assignment so that implementation can begin as soon as possible. Its task is not to decide if there should be such a Fund, but rather how an effective Fund can be established. There are a number of private and public organizations/agencies which can help in the research for the Task Force's deliberations.

These ten recommendations are a package; they are inter-related. Each should be implemented if the end result is to be achieved.





CHAPTER ELEVEN: C O N C L U S I O N

The City took a major step towards equity for minority and women-owned businesses with the passage of Ordinance 139-84. It opened the doors of opportunity for many small businesses which had never had the chance to compete effectively for City contracts. Those doors, which have opened slightly during the first year of the ordinance's implementation, can be slammed shut by the City's failure to address the problems that arise because of the requirements on insurance and bonding.

There is no simple solution to years of discrimination; complex measures are necessary to address complex problems. The consultant team believes that the Special Revolving Fund is a key recommendation in the list that has been presented, but it is also important that each of the other recommendations be implemented - and AS SOON AS POSSIBLE!

This report has suggested a three-pronged approach to meeting the challenge to the ordinance's implementation that is implicit in the insurance and bonding issues:

1. The dissemination of clear, standardized information about City contracting to qualified businesses.
2. Improvement of the capacity of MBEs and WBEs to bid and perform on City contracts through targeted educational efforts.
3. The provision of emergency, short-term financial assistance to capable businesses in need of temporary help.

Most of the recommendations can be undertaken immediately; they simply set in motion long-overdue communication. Others will take more time to put into place. Prompt attention to these concerns can hasten the day when MBEs and WBEs can function efficiently and competitively without the special help of Ordinance 139-84. These important businesses now find themselves **BETWEEN A ROCK...AND A HARD PLACE**, and the City can ease their way into the mainstream of business, while reaping the benefits that accrue from the skills and talents they will bring into City contracting.



## A P P E N D I C E S

	<u>Page</u>
A. LETTER AND SURVEY FORM TO DEPARTMENTS AND AGENCIES, CITY AND COUNTY OF SAN FRANCISCO	39
B. LETTER AND SURVEY FORM TO 600 MINORITY AND WOMEN-OWNED BUSINESSES	43
C. STANDARD INDUSTRY INSURANCE FORMS - PROPERTY, GENERAL LIABILITY, AUTO	47
D. SURVEY FORMS - FOCUS GROUP PARTICIPANTS	54
E. SELECTED ARTICLES ON INSURANCE PROBLEMS FACED BY PUBLIC AND PRIVATE ENTITIES	57
F. MATRICES OF GENERAL STANDARDS FOR INSURANCE AND BONDING REQUIREMENTS	65
G. SUMMARY OF STANDARD BONDING AND INSURANCE REQUIREMENTS AND SAMPLE INSURANCE CLAUSES	78
H. RESULTS OF SURVEY OF SAN FRANCISCO DEPARTMENTS AND AGENCIES	81
I. RESULTS OF SURVEY OF MINORITY, WOMEN AND LOCAL ENTREPRENEURS	87
J. LIST OF TECHNICAL ASSISTANCE ORGANIZATIONS	96
K. LIST OF INVITEES TO FOCUS GROUP SESSIONS	101
L. LETTERS OF INVITATION AND REPLY FORMS FOR FOCUS GROUP PARTICIPANTS	107
M. CHECKLIST FORM USED BY COUNTY OF ALAMEDA	111
N. LETTER FROM GOLDEN GATE BRIDGE DISTRICT WITHDRAWING INSURANCE REQUIREMENT	116



LETTER AND SURVEY FORM  
TO  
DEPARTMENTS/AGENCIES  
CITY AND COUNTY OF SAN FRANCISCO



**Aileen C. Hernandez Associates**

Urban Consultants

497 Fulton Avenue, San Francisco, CA 94102  
(415) 861-6434

n C. Hernandez

Jacqueline Bradford  
Patsy G. Fulcher

The San Francisco Human Rights Commission (HRC) has contracted with our firm, under Ordinance 139-84 (Minority/Women/Local Business Utilization Ordinance) to provide technical assistance to the Commission in the implementation of this new legislation.

As you are probably aware, the intent of the Ordinance is to maximize the equitable involvement of MBEs, WBEs and LBES in City contracting. To facilitate this City policy, the HRC has authorized a study of the bonding, insurance, and fee requirements and practices related to doing business with the City and County of San Francisco.

As a first step in the study, we are surveying all City departments and agencies to determine existing requirements. In this regard, we would appreciate your prompt response to the enclosed questionnaire which we have kept brief in order not to burden you with paperwork. Because the study must be finished within a short time frame, it is imperative that we receive your completed questionnaire no later than \_\_\_\_\_.

If you have any questions, please call our office (861-6434), or Gail Roberts at the Human Rights Commission (558-4901). Thank you for your cooperation.

Sincerely,



AILEEN C. HERNANDEZ

Enclosure

cc: Department/Agency Director





RETURN BY \_\_\_\_\_

SURVEY ON BONDING, INSURANCE AND FEES REQUIRED BY  
SAN FRANCISCO CITY AND COUNTY DEPARTMENTS AND AGENCIES  
IN THE AWARD OF CONTRACTS

DEPARTMENT/AGENCY \_\_\_\_\_

OFFICE ADDRESS \_\_\_\_\_

MAILING ADDRESS \_\_\_\_\_

CITY and ZIP \_\_\_\_\_

CONTACT PERSON \_\_\_\_\_ PHONE NO. \_\_\_\_\_

Note: If more space is required to answer any question, please attach additional sheets.

1. In order to do business with your agency/department, is a contractor/vendor required to provide specific bonding, insurance, fees?

☐ YES☐ NO

If yes, please complete the following information for each requirement.

TYPE(S) OF BONDS, INSURANCE, FEES	DOLLAR AMOUNT REQUIRED	WHEN DUE	OTHER SPECIFICATIONS

2. May any of the above listed bonds/insurance/fees be waived or adjusted?

☐ YES☐ NO

If yes, please describe the circumstances and procedures for such waiver/adjustment.

3. Have there been specific problems with MBEs and WBEs meeting your bonding/insurance/fee requirements?

☐ YES

☐ NO

If yes, please describe the problems and any actions you have taken to solve the problems.

4. Does your agency/department provide written information about the bidding process/requirements for prospective contractors/bidders?

☐ YES

☐ NO

If yes, please attach a copy and return it with this completed form.

5. Does your agency/department maintain a list of MBE and WBE vendors and contractors?

☐ YES

☐ NO

If yes, please attach a copy and return it with this completed form.

6. Please use this space for any further comments you would like to make about this subject.

RETURN BY \_\_\_\_\_

TO HERNANDEZ ASSOCIATES  
497 Fulton Avenue  
San Francisco, CA 94102

LETTER AND SURVEY FORM  
TO 600 SELECTED  
MINORITY AND WOMEN-OWNED  
BUSINESSES

**Aileen C. Hernandez Associates**

Urban Consultants

497 Fulton Avenue, San Francisco, CA 94102  
(415) 861-6434

Aileen C. Hernandez

Jacqueline Bradford  
Patsy G. Fulcher

Dear Small Business Owner:

The San Francisco Human Rights Commission (HRC) has contracted with our firm, under Ordinance 139-84 (Minority/Women/Local Business Utilization Ordinance) to provide technical assistance to the Commission in the implementation of this new legislation.

As you are probably aware, the intent of the Ordinance is to maximize the equitable involvement of minority business enterprises (MBEs), women business enterprises (WBEs) and local business enterprises (LBEs) in City contracting. To facilitate this City policy, the HRC has authorized a study of the bonding, insurance and fee requirements and practices related to doing business with the City and County of San Francisco.

As a major part of the study, we are surveying all MBEs and WBEs registered with the Human Rights Commission, as well as a sampling of other businesses. In this regard, we would appreciate your prompt response to the enclosed questionnaire which we have kept brief in order not to burden you with paperwork. Because the study must be finished within a short time frame, it is imperative that we receive your completed questionnaire no later than \_\_\_\_\_.

If you have any questions, please call our office (861-6434), or Gail Roberts at the Human Rights Commission (558-4901). Thank you for your cooperation.

Sincerely,

*Aileen C. Hernandez* *Jacqueline Bradford* *Patsy G. Fulcher*  
AILEEN C. HERNANDEZ      JACQUELINE BRADFORD      PATSY G. FULCHER

Enclosure



5. Has your firm ever been awarded a bid/contract but, due to problems in meeting the bonding/insurance/fee requirements, you had to forfeit or not accept the contract?

☐ Yes

☐ No

If yes, please complete the following.

Department/Agency \_\_\_\_\_ Year \_\_\_\_\_ \$ Amount of the Contract \_\_\_\_\_

Comments \_\_\_\_\_

6. Has your firm ever had a contract with a public agency other than the City and County of San Francisco, where an alternative approach to bonding, insurance or fee requirements was used?

☐ Yes

☐ No

If yes, what was the alternative approach and did you feel it was helpful? \_\_\_\_\_

7. Do you believe MBEs, WBEs and SBEs have problems in obtaining required bonding, insurance and fees?

☐ Yes

☐ No

Comments \_\_\_\_\_

8. Would you be willing to participate in a problem solving meeting regarding bonding, insurance and fees?

☐ Yes

☐ No

9. Would you be willing to participate in a follow-up interview to this questionnaire?

☐ Yes

☐ No

RETURN BY \_\_\_\_\_

TO Hernandez Associates

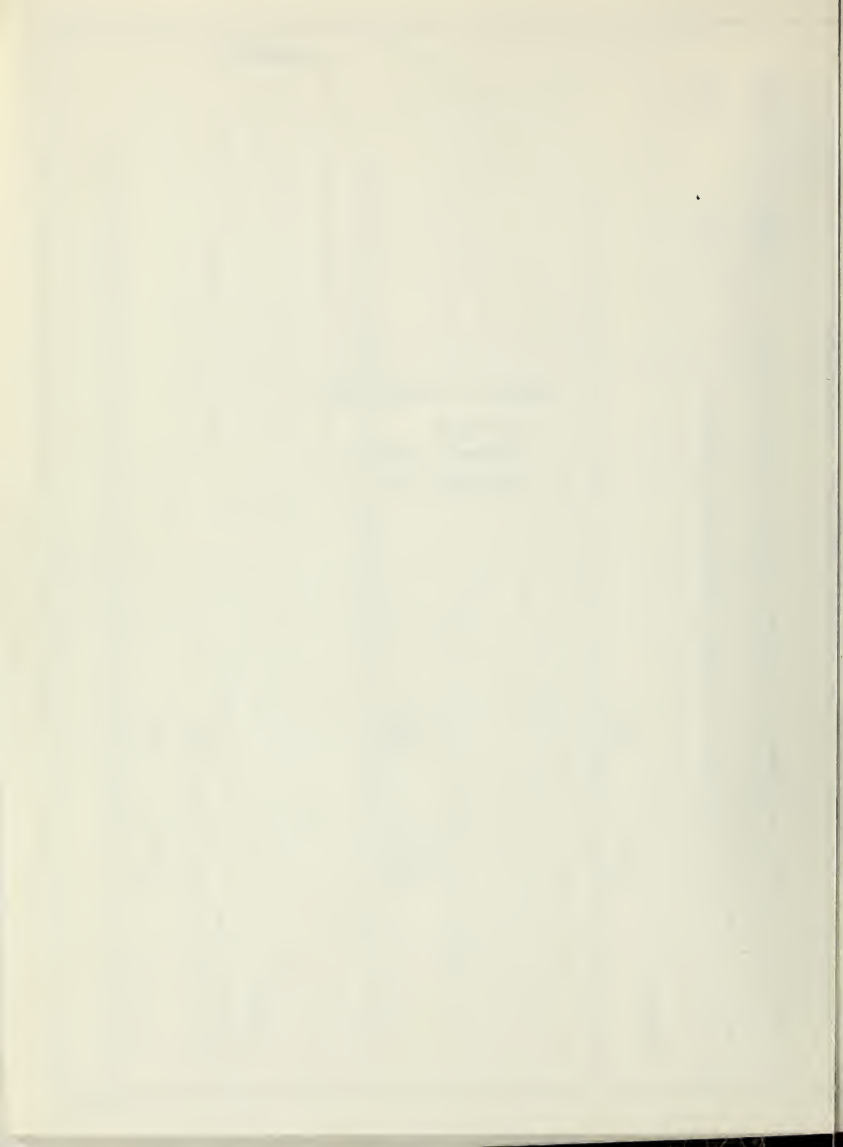
(415-861-6434)

STANDARD INSURANCE FORMS

PROPERTY

GENERAL LIABILITY

BUSINESS AUTO





# CORD PROPERTY SECTION

DATE

PRODUCER

APPLICANT

PROPOSED EFF. DATE

PROPOSED EXP. DATE

BILLING PLAN

PAYMENT PLAN

AUDIT

☐ AGENCY

☐ DIRECT

FOR COMPANY USE ONLY

## SECTION 1

SUBJECT OF INSURANCE	AMOUNT	DEDUCT.	COINS	ACV/RC	PERILS, FORMS AND CONDITIONS TO APPLY
	\$				
	\$				
	\$				
	\$				
	\$				

## ADDITIONAL COVERAGE AND RATING INFORMATION

CONSTRUCTION TYPE	Protection Class	# Stories	# Basements	Year Built	TOTAL AREA	OTHER OCCUPANCIES	
FIRE EXPOSURE & DISTANCE		LEFT EXPOSURE & DISTANCE			REAR EXPOSURE & DISTANCE		
GLAR ALARM TYPE	CERTIFICATE #		EXPIRATION DATE		EXTENT	GRADE	<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> WITH KEYS
GLAR ALARM INSTALLED AND SERVICED BY					#Guards/Watchmen		<input type="checkbox"/> CLOCK HOURLY <input type="checkbox"/>
FIRE PROTECTION (SPRINKLERS, STANDPIPES, CO <sub>2</sub> /HALON SYSTEMS)				FIRE ALARM MANUFACTURER		<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> LOCAL GONG	
ADDITIONAL INTEREST (NAME/ADDRESS)					INTEREST		<input type="checkbox"/> CERTIFICATE OF INSURANCE REQUIRED
ADDITIONAL INTEREST (NAME/ADDRESS)					INTEREST		<input type="checkbox"/> CERTIFICATE OF INSURANCE REQUIRED

## BUSINESS PERSONAL PROPERTY INFORMATION

Reporting Form: Provide Average Values For Past 12 Months				Any Other Location Declared At Inception	Any Other Location Acquired After Inception	LOCATIONS NOT OWNED OR LEASED		OTHER
LOCATION 1	LOCATION 2	LOCATION 3				LOCATION LIMIT	AGGREGATE	
\$	\$	\$	\$	\$	\$	\$		

## REMARKS

- ☐ SEE REVERSE SIDE FOR ADDITIONAL LOCATIONS  
☐ OTHER CARRIERS ARE PARTICIPATING ON THIS LINE (EXPLAIN)

### LOCATION 2

#	SUBJECT OF INSURANCE	AMOUNT	DEDUCT	COINS	ACV RC	PERILS, FORMS AND CONDITIONS TO APPLY
1		\$				
2		\$				
3		\$				
4		\$				
5		\$				

#### ADDITIONAL COVERAGE AND RATING INFORMATION

CONSTRUCTION TYPE	Protection Class	# Stories	# Base ments	Year Built	TOTAL AREA	OTHER OCCUPANCIES	
RIGHT EXPOSURE & DISTANCE		LEFT EXPOSURE & DISTANCE				REAR EXPOSURE & DISTANCE	
BURGLAR ALARM TYPE	CERTIFICATE #		EXPIRATION DATE		EXTENT	GRADE	<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> WITH KEYS <input type="checkbox"/> CLOCK HOUR
BURGLAR ALARM INSTALLED AND SERVED BY						# Guards/Watchmen	<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> LOCAL GONG
FIRE PROTECTION (SPRINKLERS, STANDPIPES, CO <sub>2</sub> /HALON SYSTEMS)					FIRE ALARM MANUFACTURER		<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> LOCAL GONG
1) ADDITIONAL INTEREST (NAME/ADDRESS)					INTEREST		CERTIFICATE INSURANCE REQUIRED
2) ADDITIONAL INTEREST (NAME/ADDRESS)					INTEREST		CERTIFICATE INSURANCE REQUIRED

### LOCATION 3

#	SUBJECT OF INSURANCE	AMOUNT	DEDUCT	COINS	ACV RC	PERILS, FORMS AND CONDITIONS TO APPLY
1		\$				
2		\$				
3		\$				
4		\$				
5		\$				

#### ADDITIONAL COVERAGE AND RATING INFORMATION

CONSTRUCTION TYPE	Protection Class	# Stories	# Base ments	Year Built	TOTAL AREA	OTHER OCCUPANCIES	
RIGHT EXPOSURE & DISTANCE		LEFT EXPOSURE & DISTANCE				REAR EXPOSURE & DISTANCE	
BURGLAR ALARM TYPE	CERTIFICATE #		EXPIRATION DATE		EXTENT	GRADE	<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> WITH KEYS <input type="checkbox"/> CLOCK HOUR
BURGLAR ALARM INSTALLED AND SERVED BY						# Guards/Watchmen	<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> LOCAL GONG
FIRE PROTECTION (SPRINKLERS, STANDPIPES, CO <sub>2</sub> /HALON SYSTEMS)					FIRE ALARM MANUFACTURER		<input type="checkbox"/> CENTRAL STATION <input type="checkbox"/> LOCAL GONG
1) ADDITIONAL INTEREST (NAME/ADDRESS)					INTEREST		CERTIFICATE INSURANCE REQUIRED
2) ADDITIONAL INTEREST (NAME/ADDRESS)					INTEREST		CERTIFICATE INSURANCE REQUIRED

# ord GENERAL LIABILITY SECTION

SET TAB STOPS AT ARROWS

DATE

CER

APPLICANT

PROPOSED EFF. DATE	PROPOSED EXP. DATE	BILLING PLAN	PAYMENT PLAN	AUDIT
		<input type="checkbox"/> AGENCY <input type="checkbox"/> DIRECT		

FOR COMPANY USE ONLY

## RAGES/LIMITS

COMPREHENSIVE GENERAL LIABILITY OWNERS, LANDLORDS & TENANTS MANUFACTURER'S & CONTRACTORS STOREKEEPERS LIABILITY OWNER'S & CONTRACTORS PROTECTIVE CONTRACTUAL <input type="checkbox"/> BLANKET <input type="checkbox"/> DESIGNATED PRODUCTS/COMPLETED OPERATIONS	LIMITS OF LIABILITY			PREMIUM
	COVERAGE	EACH OCCURR	AGGREGATE	
	BODILY INJURY	\$ ,000	\$ ,000	\$
	PROPERTY DAMAGE	\$ ,000	\$ ,000	\$
	COMBINED SINGLE LIMIT	\$ ,000	\$ ,000	\$
<b>OPTIONS</b> LOAD FORM PROPERTY DAMAGE <input type="checkbox"/> INCLUDE <input type="checkbox"/> EXCLUDE COMPLETED OPS. LOAD FORM CGL ENDORSEMENT <input type="checkbox"/> X <input type="checkbox"/> XC <input type="checkbox"/> U RE LEGAL LIABILITY (Give Locations & Limits) ELEVATOR COLLISION NON-OWNED AUTO (Give Territories & Employees) P.D. DEDUCT. <input type="checkbox"/> PER CLAIM <input type="checkbox"/> PER OCCURR. \$	PREMISES MEDICAL	EACH PERSON \$	EACH ACCIDENT \$ ,000	\$
	PERSONAL INJURY <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C PARTICIPATION % <input type="checkbox"/> DELETE EXCLUSION C	AGGREGATE \$ ,000		\$
	OTHER COVERAGES AND/OR ENDORSEMENTS			\$
				TOTAL \$

## ULE OF HAZARDS

DESCRIPTION	CODE	PREMIUM BASIS	TERR.	RATE		PREMIUM	
				B.I.	P.D.	B.I.	P.D.
REMISES/OPERATIONS		(a) Area (f) Frontage (p) Payroll (m) Admissions (r) Receipts (t) Other		(a) per 100 sq. ft. (f) per linear ft. (p) per \$100 pay. (m) per 100 adm. (r) per \$100 rec. (t) per unit			
SCALATORS		Landings		per landing			
INDEPENDENT CONTRACTORS		Cost		per \$100			
CONTRACTUAL		Number Cost		per contract per \$100			
PRODUCTS/COMPLETED OPERATIONS		Receipts		per \$1,000			-50

**CONTRACTORS**

EXPLAIN ALL "YES" RESPONSES		Yes	No
1	Does applicant draw plans, designs, specifications?	<input type="checkbox"/>	<input type="checkbox"/>
2	Are certificates of insurance required from sub-contractors?	<input type="checkbox"/>	<input type="checkbox"/>
3	Does applicant lease equipment to others with or without operators?	<input type="checkbox"/>	<input type="checkbox"/>
4	Full time staff		
5	Part time staff		
6	% work sub-contracted		

DESCRIBE THE TYPE OF WORK SUB-CONTRACTED AND INCLUDE A DESCRIPTION OF THE OPERATIONS OF XCU IF REQUIRED

**CONTRACTUAL LIABILITY**

DESCRIBE ALL HOLD HARMLESS AGREEMENTS (Dates, Contracting Party, Cost)

☐ COPIES ATTACH**PRODUCTS/COMPLETED OPERATIONS**

PRODUCTS	ANNUAL SALES RECEIPTS	# OF UNITS	TIME IN MARKET	EXPECTED LIFE	INTENDED USE	PRINCIPAL COMPONENTS

EXPLAIN ALL "YES" RESPONSES		Yes	No	EXPLAIN ALL "YES" RESPONSES		Yes	No
1	Does applicant install, service or demonstrate products?	<input type="checkbox"/>	<input type="checkbox"/>	6	Products recalled, discontinued, changed?	<input type="checkbox"/>	<input type="checkbox"/>
2	Foreign products sold, distributed, used as components?	<input type="checkbox"/>	<input type="checkbox"/>	7	Products of others sold or re-packaged under applicant label?	<input type="checkbox"/>	<input type="checkbox"/>
3	Research and development conducted or new products planned?	<input type="checkbox"/>	<input type="checkbox"/>	8	Products under label of others?	<input type="checkbox"/>	<input type="checkbox"/>
4	Guarantees, Warranties, Hold Harmless Agreements?	<input type="checkbox"/>	<input type="checkbox"/>	9	Vendors coverage required?	<input type="checkbox"/>	<input type="checkbox"/>
5	Products related to aircraft/space industry?	<input type="checkbox"/>	<input type="checkbox"/>				

Please attach literature, brochures, labels, warnings etc.

**ADDITIONAL INTERESTS/CERTIFICATE RECIPIENTS**

NAME AND ADDRESS (include loan # for mortgages)	INTEREST

**GENERAL INFORMATION**

EXPLAIN ALL "YES" RESPONSES		Yes	No	EXPLAIN ALL "YES" RESPONSES		Yes	No
1	Any advertising signs away from premises?	<input type="checkbox"/>	<input type="checkbox"/>	7	Any parking facilities owned/rented?	<input type="checkbox"/>	<input type="checkbox"/>
2	Any medical facilities provided or doctors employed/contracted?	<input type="checkbox"/>	<input type="checkbox"/>	8	Participation in trade shows, exhibits, conventions?	<input type="checkbox"/>	<input type="checkbox"/>
	Equipment loaned/rented to others?	<input type="checkbox"/>	<input type="checkbox"/>	9	Recreation facilities provided?	<input type="checkbox"/>	<input type="checkbox"/>
3	Any exposure to radioactive/nuclear materials?	<input type="checkbox"/>	<input type="checkbox"/>	10	Sporting or social events sponsored?	<input type="checkbox"/>	<input type="checkbox"/>
	Any boats, docks, floats owned, hired or leased?	<input type="checkbox"/>	<input type="checkbox"/>	11	Any structural alterations contemplated?	<input type="checkbox"/>	<input type="checkbox"/>
	Operations involve discharge of fumes, acids, wastes?	<input type="checkbox"/>	<input type="checkbox"/>	12	Any demolition exposure contemplated?	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS

# BUSINESS AUTO SECTION

SET TAB STOPS AT ARROWS

DATE

OFFICER

APPLICANT

PROPOSED EFF. DATE	PROPOSED EXP. DATE	BILLING PLAN	PAYMENT PLAN	AUDIT
--------------------	--------------------	--------------	--------------	-------

<input type="checkbox"/> AGENCY <input type="checkbox"/> DIRECT
--

FOR COMPANY USE ONLY

## COVERAGE / LIMITS

COVERAGES	COVERED AUTO SYMBOLS	LIMITS OF LIABILITY				PREMIUM
LIABILITY INSURANCE	1 2 3 4 7 8 9 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	\$ _____,000 PER ACCIDENT				\$
PERSONAL INJURY PROTECTION	5 7 <input type="checkbox"/> <input type="checkbox"/>	OR EQUIVALENT NO-FAULT COVERAGE			DED. \$	\$
ADDITIONAL P.I.P.	5 7 <input type="checkbox"/> <input type="checkbox"/>	OR EQUIVALENT ADDED NO-FAULT COVERAGE			DED. \$	\$
PHYSICAL MEDICAL PAYMENTS	2 3 4 7 8 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	\$ _____ PER PERSON			\$	\$
INSURED MOTORISTS	2 3 4 6 7 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	\$			\$	\$
COMPREHENSIVE	2 3 4 7 8 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> SEE SCHEDULE			DED. \$	\$
SPECIFIED PERILS	2 3 4 7 8 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> SEE SCHEDULE <input type="checkbox"/> F <input type="checkbox"/> F&T <input type="checkbox"/> F,T,W <input type="checkbox"/> LIMITED SPEC. PERILS			DED. \$	\$
COLLISION	2 3 4 7 8 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> SEE SCHEDULE			DED. \$	\$
REPAIRING & LABOR	3 7 10 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> SEE SCHEDULE			\$	\$
HIRING	SPECIFY				\$	\$
HIRING	SPECIFY				\$	\$
RENTED/BORROWED MOBILE LIABILITY	STATES _____ <input type="checkbox"/> IF ANY	CODE _____	COST OF HIRE _____	RATE _____	\$	\$
OWNER'S NON-OWNERSHIP LIABILITY	STATES _____ <input type="checkbox"/> IF ANY	CODE _____	NO. OF EMPLOYEES _____		\$	\$
EXEMPTIONS					\$	\$
					TOTAL \$	\$

(1) OWNED AUTOS OTHER THAN PRIVATE PASSENGER (2) ALL OWNED AUTOS (3) OWNED PRIVATE PASSENGER AUTOS	(4) OWNED AUTOS WHICH REQUIRE NO-FAULT COVERAGE (5) ALL OWNED AUTOS WHICH REQUIRE NO-FAULT COVERAGE (6) OWNED AUTOS SUBJECT TO COMPULSORY U.M. LAW	(7) AUTOS SPECIFIED ON SCHEDULE (8) HIRED AUTOS (9) NON-OWNED AUTOS
--	--	---

## ADDITIONAL INFORMATION

NAME (Include Address, If Required)	DATE OF BIRTH	DRIVERS LICENSE NUMBER	STATE	DATE HIRED



## VEHICLE DESCRIPTION

GET TAB STOPS AT ARROW

1 INS ■ YEAR ■ MAKE MODEL BODY TYPE												VIN/SERIAL NUMBER			
CITY STATE ZIP WHERE GARAGED			Sym/Age	COST NEW		USE	Radius	GVW GCW		CLASS	SIC	FACTOR			
<input type="checkbox"/> ACV <input type="checkbox"/> Stated Amt		DEDUCTIBLES		LIAB	PI P	ADD PIP	MED PAY	U M	COMP	SPECIFIED PERILS		COLL	TC		
		COMP S P	COLLISION	\$	\$	\$	\$	\$	\$	<input type="checkbox"/> F <input type="checkbox"/> F.T.W <input type="checkbox"/> F&T <input type="checkbox"/> L S P		\$	\$		

2 INS ■ YEAR ■ MAKE MODEL BODY TYPE												VIN/SERIAL NUMBER			
CITY STATE ZIP WHERE GARAGED			Sym/Age	COST NEW		USE	Radius	GVW GCW		CLASS	SIC	FACTOR			
<input type="checkbox"/> ACV <input type="checkbox"/> Stated Amt		DEDUCTIBLES		LIAB	PI P	ADD PIP	MED PAY	U M	COMP	SPECIFIED PERILS		COLL	TC		
		COMP S P	COLLISION	\$	\$	\$	\$	\$	\$	<input type="checkbox"/> F <input type="checkbox"/> F.T.W <input type="checkbox"/> F&T <input type="checkbox"/> L S P		\$	\$		

3 INS ■ YEAR ■ MAKE MODEL BODY TYPE												VIN/SERIAL NUMBER			
CITY STATE ZIP WHERE GARAGED			Sym/Age	COST NEW		USE	Radius	GVW GCW		CLASS	SIC	FACTOR			
<input type="checkbox"/> ACV <input type="checkbox"/> Stated Amt		DEDUCTIBLES		LIAB	PI P	ADD PIP	MED PAY	U M	COMP	SPECIFIED PERILS		COLL	TC		
		COMP S P	COLLISION	\$	\$	\$	\$	\$	\$	<input type="checkbox"/> F <input type="checkbox"/> F.T.W <input type="checkbox"/> F&T <input type="checkbox"/> L S P		\$	\$		

4 INS ■ YEAR ■ MAKE MODEL BODY TYPE												VIN/SERIAL NUMBER			
CITY STATE ZIP WHERE GARAGED			Sym/Age	COST NEW		USE	Radius	GVW GCW		CLASS	SIC	FACTOR			
<input type="checkbox"/> ACV <input type="checkbox"/> Stated Amt		DEDUCTIBLES		LIAB	PI P	ADD PIP	MED PAY	U M	COMP	SPECIFIED PERILS		COLL	TC		
		COMP S P	COLLISION	\$	\$	\$	\$	\$	\$	<input type="checkbox"/> F <input type="checkbox"/> F.T.W <input type="checkbox"/> F&T <input type="checkbox"/> L S P		\$	\$		

## ADDITIONAL INTERESTS/CERTIFICATE RECIPIENTS

AUTO #	NAME AND ADDRESS	INTEREST	CER

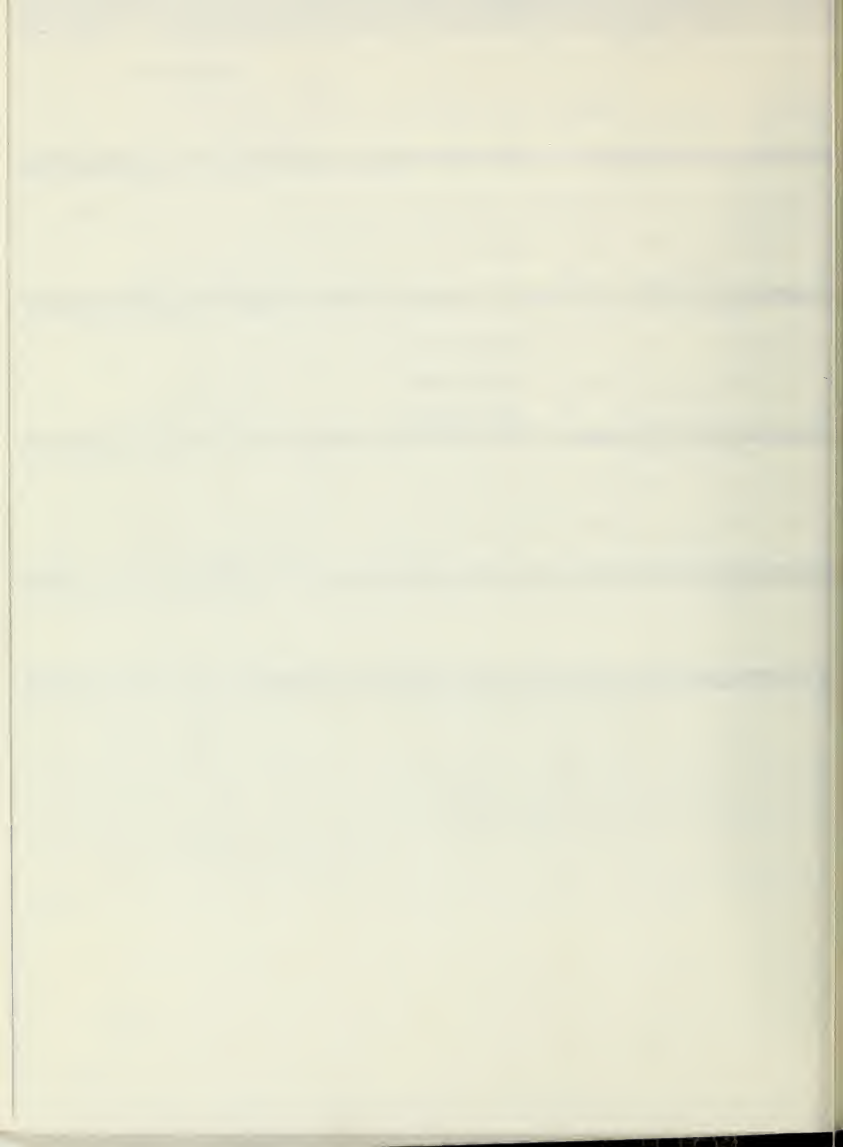
## GENERAL INFORMATION

EXPLAIN ALL "YES" RESPONSES		Yes	No	EXPLAIN ALL "YES" RESPONSES		Yes	No
1	Were the expiration of encumbrances on all vehicles solely owned by and registered to the applicant?	<input type="checkbox"/>	<input type="checkbox"/>	7	Are any vehicles used on a farm or ranch?	<input type="checkbox"/>	<input type="checkbox"/>
2	Do over 50% of the employees use their autos in the business?	<input type="checkbox"/>	<input type="checkbox"/>	8	Did any vehicle operate outside the specified radius during the past 12 months?	<input type="checkbox"/>	<input type="checkbox"/>
3	Is there a vehicle no interference program in operation?	<input type="checkbox"/>	<input type="checkbox"/>	9	Does the applicant obtain MVR verifications?	<input type="checkbox"/>	<input type="checkbox"/>
4	Are any vehicles leased to others?	<input type="checkbox"/>	<input type="checkbox"/>	10	Does the applicant have a specific driver recruiting method?	<input type="checkbox"/>	<input type="checkbox"/>
5	Are any vehicles customized, altered or have special equipment?	<input type="checkbox"/>	<input type="checkbox"/>	11	Are drivers covered by Worker's Compensation?	<input type="checkbox"/>	<input type="checkbox"/>
6	Are ICE, PUE or other filings required?	<input type="checkbox"/>	<input type="checkbox"/>	12	What is the total number of vehicles owned by the applicant?	<input type="checkbox"/>	<input type="checkbox"/>

MAXIMUM DOLLAR EXPOSURE			DESCRIPTION OF GARAGE STORAGE LOCATIONS
Any One Vehicle	Any One Location	All Owned Vehicles	
\$	\$	\$	

REMARKS

SURVEY FORMS FOR  
FOCUS GROUP  
PARTICIPANTS





BONDING AND INSURANCE SURVEY

SAN FRANCISCO HUMAN RIGHTS COMMISSION

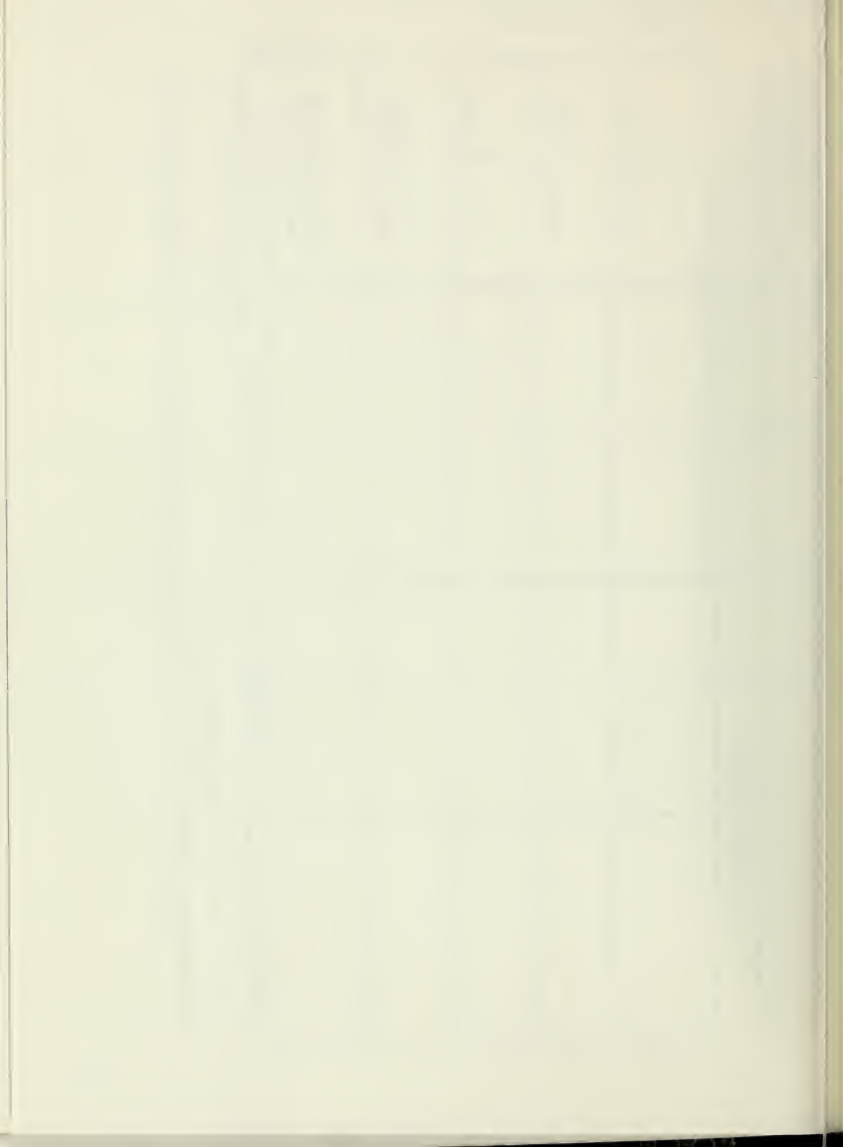
WORKSHOP COMMENTS

INSURANCE SURVEY

NAME OF RESPONDENT (OPTIONAL) \_\_\_\_\_

TYPE OF INSURANCE	PROBLEMS IDENTIFIED	SUGGESTIONS	OTHER COMMENTS
WORKERS COMPENSATION AND EMPLOYER LIABILITY (MINIMUM OF \$1,000,000)			
COMPREHENSIVE GENERAL LIABILITY (MINIMUM OF \$1,000,000)			
PROFESSIONAL LIABILITY			
OR			
ERRORS AND OMISSIONS INSURANCE			
OTHER (PLEASE SPECIFY TYPE)			

HERNANDEZ ASSOCIATES  
487 FULTON AVENUE, SAN FRANCISCO 94102



BONDING AND INSURANCE SURVEY

SAN FRANCISCO HUMAN RIGHTS COMMISSION

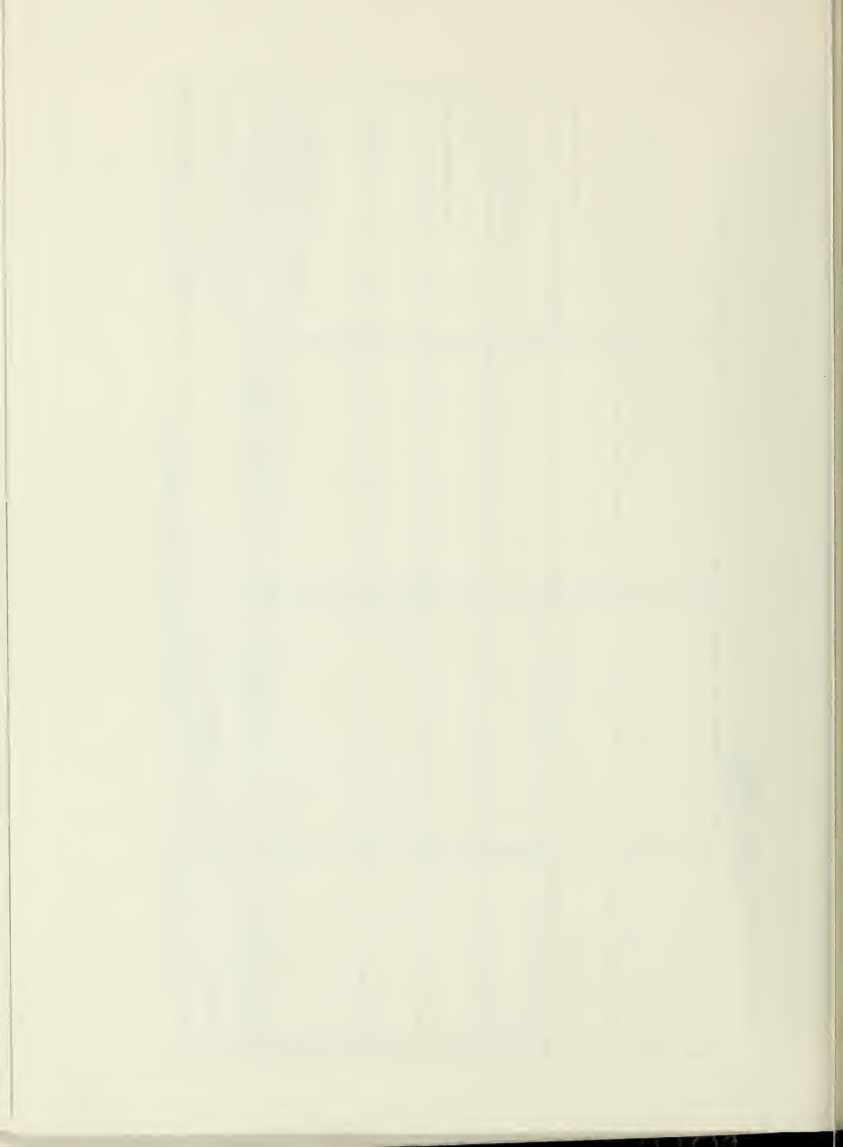
WORKSHOP COMMENTS

BONDING SURVEY

NAME OF RESPONDENT (OPTIONAL)

TYPE OF BONDING	PROBLEMS IDENTIFIED	SUGGESTIONS	OTHER COMMENTS
BLANKET FIDELITY (COMMERCIAL BLANKET) BOND			
BID BOND			
PERFORMANCE BOND			
LABOR AND MATERIALS BOND			
GUARANTY BOND			
OTHER (PLEASE SPECIFY) (E.G. MAINTENANCE, ETC.)			

HERNANDEZ ASSOCIATES  
457 FULTON AVENUE, SAN FRANCISCO 94102



SELECTED ARTICLES  
ON THE  
INSURANCE PROBLEMS FACED  
BY PUBLIC AND PRIVATE  
ENTITIES

(SOME ARE EXCERPTS FROM  
LONGER ARTICLES)

1874

1875

1876

1877

# Rising Premium Charges Swamp Some Businesses

S.F. CHRONICLE 8/19/85

BY JEFF PELLINE

**C**ommercial fishermen, home day-care operators, engineers, rental car dealers and truckers all have the same complaint: Soaring insurance costs are eroding profits and threatening to put many of them out of business.

Insurance companies generally agree, but they say the rate increases are justified. Insurers say that their losses are greater than ever, blaming the rash of huge liability awards from the courts, along with a drop in income from investments.

Seventeen insurance companies went broke last year, a near record, and the industry wants to reverse the trend as quickly as possible, according to the Insurance Information Institute.

"They're grabbing for straws, and we're at the bottom and getting the worst of

it," said Peter Kondrashoff, 44, a commercial fisherman who pays \$23,737 a year to insure his boat and three-man crew against property and casualty losses, up from \$18,544 last year.

"I'm terrified to see the bill for next year's rates, which I'll get next month," said Kondrashoff, who has been catching fish off the Northern California coast for 25 years and is paying more than ever for insurance.

Examples abound of businesses' hardships because of rising insurance rates:

■ Thrifty Rent-A-Car, a 15-year-old car rental company based in San Francisco, filed for Chapter 11 bankruptcy protection on June 20, about a week after being told it needed to make a \$75,000 cash deposit to cover rising insurance premiums.

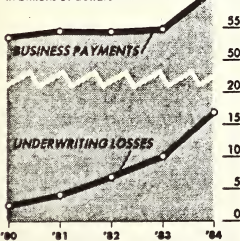
■ Last month, day-care center operators in Contra Costa County threatened to strike over rising premiums.

The 310-member Diablo Valley Day-Care Providers Association was fuming at rates that have jumped tenfold for some operators in the past year.

## BUSINESS INSURANCE COSTLIER AND SCARCER

### Underwriting Losses Drive Up Insurance Rates

In billions of dollars



Source: A.M. Best Co.

### Hard-to-Buy Insurance

The following types of insurance are the most difficult to get because of risk and the potential for large claims:

1. Municipal liability
2. Pollution liability
3. Liquor liability
4. Long-haul trucker coverage
5. Medical malpractice
6. Commercial fishing boat coverage
7. Asbestos removal from buildings
8. Consumer product liability
9. Day-care center coverage
10. Company director and officer liability

Source: Insurance Information Institute





## Council melts on ice cream vendors' plea

By Gerald Davis  
The Tribune 10/2/85

FREMONT - This city's much-pondered ordinance to regulate street vendors will undergo another round of scrutiny.

The latest review was prompted because the current plan could run local ice cream trucks out of town.

The city council last night decided to suspend a requirement for street and mobile vendors to carry a \$1 million general liability insurance policy until a review of the requirement is made next month.

The insurance requirement is designed to protect the city from "deep pocket" rulings where it could be forced to pay damages in a civil suit should the vendor be unable to do so.

In August, the city sent letters to several vendors who operate large trucks around the city, notifying them of changes in the law.

And that's when the owners of Janny's Goodies Wagon and Yvonne's Ice Cream became upset.

Janice Plantee and her parents, Denie and Yvonne Plantee, operate ice cream trucks in the city. They wrote Mayor Leon Mezzetti and the council last month asking the insurance requirement be waived or reduced.

"One million dollars worth of liability on (the) truck would be so costly that I could not possibly stay in business," their letter said.

Janice and Denie Plantee said last night they haven't found an insurance company willing to issue a \$1 million policy for them. The best they can get is \$600,000, and that would cost them \$600 a year, they said.

City Manager Kent McClain defended the insurance requirement, saying he doesn't know why a local government should subsidize a business by shouldering its liability.

City Council member Gus Gorrison suggested the council begin the process of changing the ordinance, making it applicable only to stationary vendors.

McClain conceded: "We did not look at (the requirement's) impact on ice cream vendors."

Also last night, Jim Lopes and Winston Leong appealed their ongoing violation for operating an unlicensed roadside stand in front of their nursery at 44960 Warm Springs Blvd.

According to reports by Ruby Wun, a junior planner who investigated the case, the stand is illegal because the land is zoned industrial. She cited the pair during a verbal confrontation at the stand on July 29.

Leong requested a hearing in a Sept. 13 letter to Mezzetti and the council that said, "I understand that this property is zoned industrial, however, the previous and present use has been agricultural."

The appeal was tabled to await further investigation.

## Insurance Rates for Nation's Schools Zooming

By Diane Curtis

Liability insurance rates for the San Francisco Unified School District increased by 180 percent this year, from \$201,000 to \$564,000, and there was nothing to do but pay.

It is a typical situation for schools nationwide.

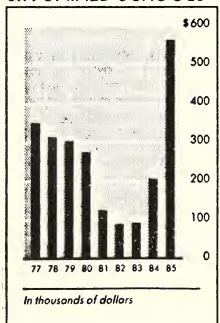
"The premiums are going out of sight," sighed Lyle Eichert, district business manager. "This year it just exploded on everybody."

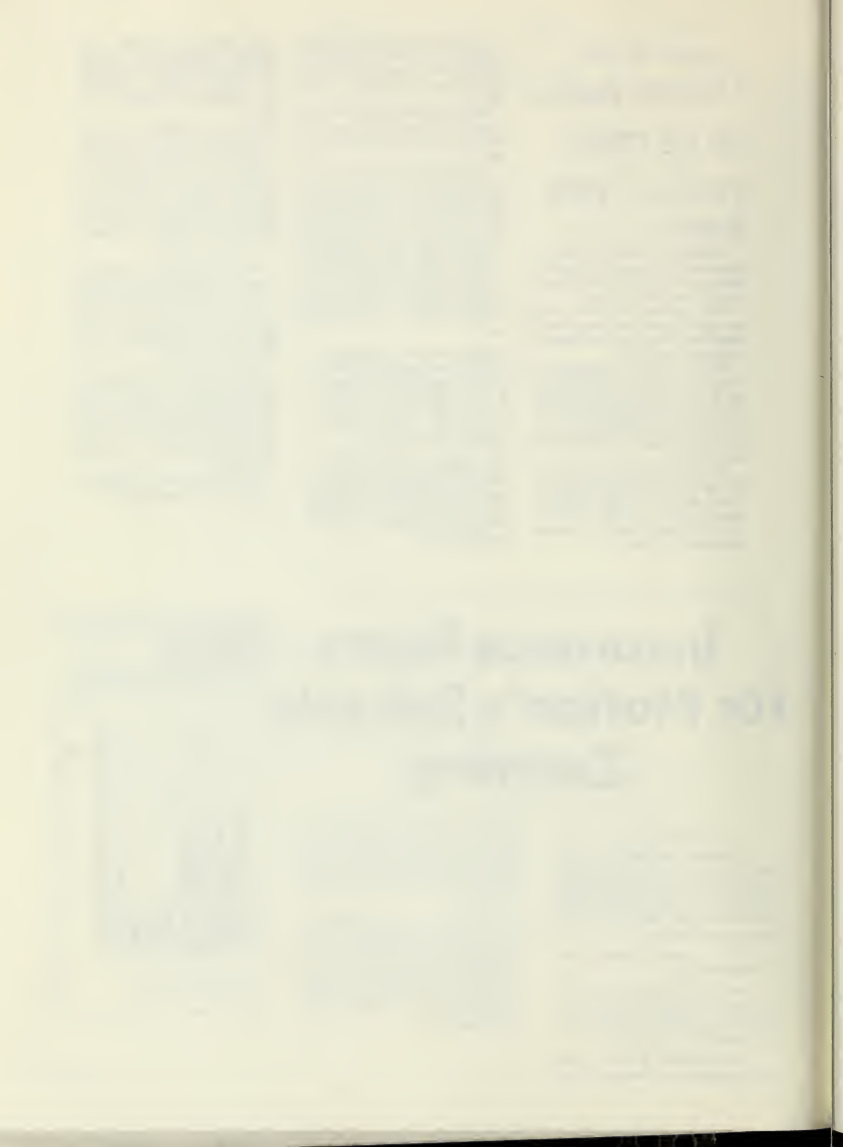
San Francisco is luckier than some districts. At least one, Fre-

mont Union High School District in Sunnyvale, still is not fully insured and is considering cutting such high-risk student activities as sports and field trips if it cannot get the insurance.

Yesterday, officials of that district were working to find a carrier for \$9 million in coverage beyond its \$1 million in basic liability. Board of Education members have scheduled a Tuesday meeting to consider program cuts if they are unable to get insurance.

**LIABILITY S.F. CHRON.**  
**PREMIUMS** 9/28/85  
**S.F. UNIFIED SCHOOLS**





# Directors Resigning Over Lost Insurance

BY GAILE SCHARLES

**B**anks and savings and loans are beginning to lose some of their best directors because insurance companies are refusing to renew liability policies that once protected them.

Two of the five directors at Birmingham Federal Savings in Birmingham, Ala., quit recently when the association was unable to renew its \$5 million directors and officers insurance policy.

"You tell me where I can find someone to replace them and I'll hire them," said C. M. DeArman Jr., chairman at Birmingham Federal Savings. "People are running scared."

Directors and officers at financial institutions in the Bay Area said the risk of being sued after insurance policies have lapsed has many directors concerned, but they refused to identify which institutions have actually lost directors.

"We're 'running naked' (going without D&O insurance). None of our directors have quit, but we're operating profitably," said the chief executive of one Bay Area bank. "No one wants to sit on the board of a troubled institution anymore."

## 'It's Going to Get Worse'

The U.S. League of Savings Institutions said a number of savings and loans have reported that directors have resigned. "My feeling is it's going to get worse before it gets better," said Clark Sutton, an officer with the league.

"The best are the first to go. Any person of substance who has another business or significant personal wealth is thinking twice about risking it to sit on the board of a

financial institution," said Lyle Sparks, an attorney with the law firm of Lord, Bissell & Brook in Chicago.

Sparks, whose firm specializes in business insurance, spoke at the Hilton Hotel in San Francisco during a recent conference sponsored by the savings league.

By the end of 1985, nearly half the banks and savings and loans nationwide may be without directors' and officers' liability insurance, Sparks said. About 10 percent are now operating without policies, he said.

The number of insurers willing to renew policies has shrunk from 20 to two during the past year, following a soaring number of multimillion-dollar claims that caused heavy losses for insurers.

## Insurance Alternatives

Sparks said financial institutions operating without insurance may seek to protect directors from liability lawsuits in several ways:

- Bolster provisions in the company's bylaws to indemnify directors.

- Self-insure the company through a subsidiary (like the Cayman Islands-based insurance unit BankAmerica Corp. established earlier this year.)

- Ask insurance companies if they will write a policy with an unusually high deductible, such as \$1 million.

- Have a trade organization set up an insurance company for all its members.

However, none of the alternatives is ideal. "Self-insurance is really no insurance," Sparks said. "It's

*By the end of 1985, nearly half the banks and savings and loans nationwide may be without directors and officers liability insurance.*

hard to imagine how a financial institution could set aside adequate reserves without being sued by its shareholders."

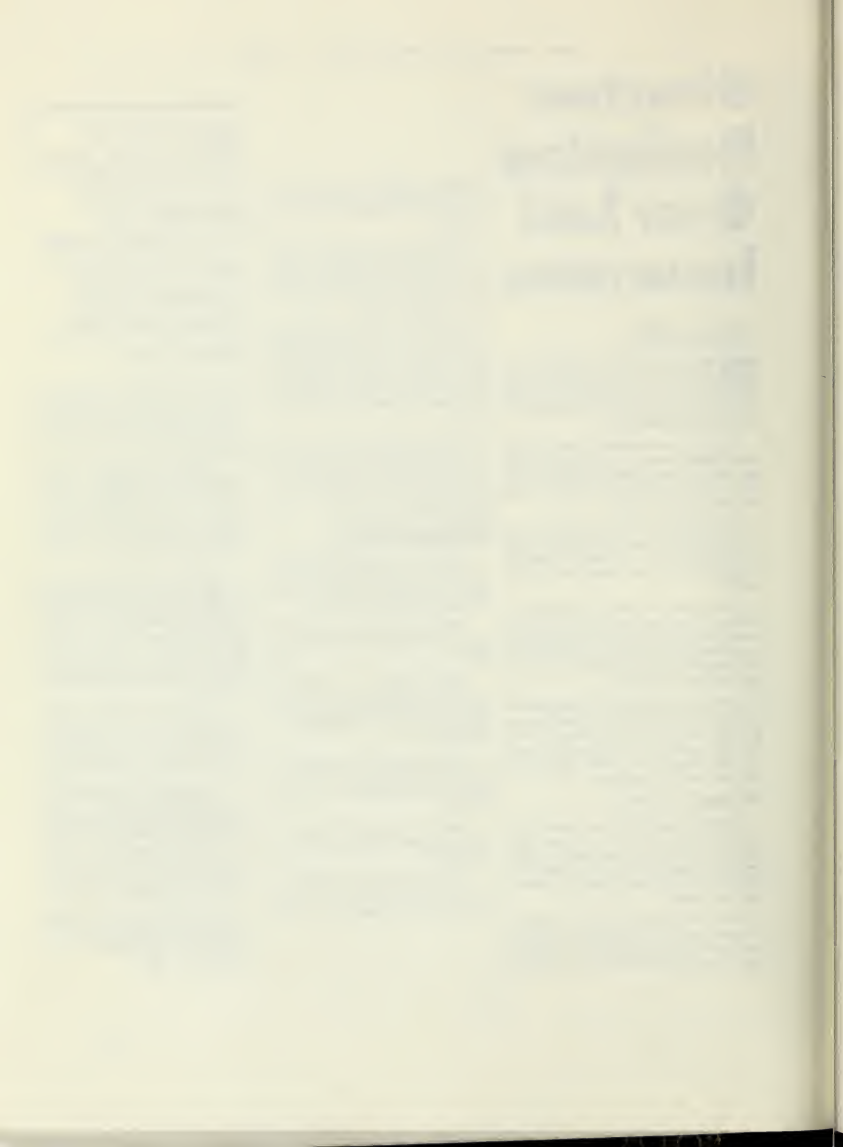
Large banks generally carry policies ranging from \$75 million to \$100 million. Shareholders are not likely to allow an institution to set aside that much money in a (non-earning) subsidiary simply to protect directors, he said.

Also, there are many unresolved questions about the legality of self-insurance, he said. It is still unclear, for example, whether a bank or S&L can set up a captive insurance unit, since banks and S&Ls traditionally have been prohibited from entering the insurance business.

Promises to indemnify directors also may prove worthless if a company becomes the target of a takeover, or if a director has a "falling out" with the board, Sparks said.

The best alternative may be insurance units sponsored by industry trade associations, he said. The U.S. League of Savings Institutions, the California Bankers Association and the American Bankers Association have all been exploring the possibility of insuring their members.

But it's still unclear whether trade groups will be willing to assume the risk of insuring their own members, he said.



# Firms turn to reducing risk in hope of cutting costs

By Richard L. Cohen

Business insurance rates have skyrocketed over the past few years, with some companies hit by annual premium increases of more than 100 percent.

The reason premiums are going up is simple. Claims are increasing — both in number and in amounts awarded.

The easiest way to put the brakes on this acceleration is to adopt an aggressive risk-management program, says Creighton White, senior vice president in risk management for Fireman's Fund Insurance Co. in San Rafael. But even that may not result in lower insurance costs.

"This is an extremely competitive industry," White says. "Several years ago competition was so fierce that insurance rates were way below what we needed to make money. With the recent increases,

we're approaching where we need to be, but we're not there yet."

It is entirely possible that even the best risk-management program will succeed only in slowing the rate of increase in insurance rates, he admits.

White breaks down risk management into two categories, one financial and the other more judgmental. The financial end involves figuring out how to fund the risk, which includes shopping around for the best insurance package at the lowest possible rate.

Part of that analysis is deciding how much of the risk the company should shift to its insurers and how much to keep in-house.

Almost all the large corporations in the Bay Area self-insure part of their exposure. That means that on claims below a predetermined amount, the company will pay out of its own pocket. Above that amount, the firm's insurance carriers will take over.

HERB CAEN, S.F. CHRONICLE  
9/17/85

**THIS OLD TOWN:** Remember when Mission and Third streets were chockablock with jitneys, which charged only a bit more than the Muni and gave better service? Only about 30 are still around (because premiums are now so high), and you can bet they'll ALL disappear in November, when they'd be forced to carry \$5 million worth of liability insurance. Too bad. In the old days, at least 100 jitneys were on the streets, most of them black limousines that had seen better days ("San Francisco is full of gangsters!" a goggle-eyed tourist once said).

★ ★ ★

## Insurance hikes hit towns in the purse

By Leonard Bruzese  
USA TODAY 9/5/85

Forced to choose between insuring themselves and going uninsured, Tehama, Calif., officials are considering disincorporating their 79-year-old town — population 386.

More than \$1 million in liability coverage cost \$500 in 1983 and \$4,000 last year. This year, no firms will bid.

The growing crisis — some communities face 1,000 percent premium hikes as judgments soar — will be discussed today at the National Association of Towns and Townships conference in Washington.

"There's a perception gov-

ernments are rich — 'sock it to them,'" said Louisiana State University professor John Pine, who'll urge a push for laws limiting court awards.

Ultimately, he said, taxpayers foot the bill.

The Insurance Information Institute said the industry lost \$3.8 billion last year.

Larger cities with bigger budgets can insure themselves. Dallas, which paid a \$221,518 premium in 1984 with a \$2 million deductible, dropped liability coverage this year when its insurer asked for \$1.5 million.

Elsewhere:

■ In Chillicothe, Ohio, the City Council is expected to pass a self-insurance ordinance Monday, setting aside \$200,000 a year. Lone insurance company bid: \$223,000 for \$1 million coverage; the town paid about \$80,000 last year.

■ Basalt, Colo., couldn't renew its policy on time and was uninsured eight days. Police cars stayed parked, a building inspector stayed home and a council member, worried about personal liability, quit.

THE [illegible] OF THE [illegible]  
 [illegible] [illegible] [illegible] [illegible] [illegible]  
 [illegible] [illegible] [illegible] [illegible] [illegible]  
 [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]



# Tolerant Policy on Arts-Crafts Costing Berkeley Its Insurance

By Gary E. Swan

Berkeley's permissive policy toward its arts and crafts community has the city on the verge of losing its municipal liability insurance.

The city's insurance has been canceled as of this Thursday because of a zoning change that permits artists to use their homes as workshops and studios, said Nancy Bellard, assistant city manager.

"Our insurers found out about it and they figure a lot of arts and craft materials are hazardous, so they canceled us," Bellard said.

Unless the city finds a willing carrier, it will join a growing number of cities and school districts that are being forced to self-insure or go without insurance as policy writers withdraw from the market.

The cities of Tehama, Point Arena, Seaside, Portola, Plymouth, Lakeport and Bradbury already are without liability insurance, according to the California League of Cities.

"Berkeley's in the same boat as everyone else and it's been going that way for three years," Bellard said.

Last year, Berkeley paid \$265,000 for the same \$20 million insurance policy that it paid \$49,000 for the year before, she said.

This year, before its insurer used the zoning change as an excuse to cancel, the city found that a \$1 million policy cost \$278,000 and a \$10 million policy would cost \$1 million.

"We'll go uninsured for a while, but it's not the first time for Berkeley," Bellard said.

Insurers did not welcome Berkeley's business during the campus rebellion of the '60s either, she said, and it has been in only the past six years that the city has found any insurance at all.

Connie Barker, an attorney for the California League of Cities, said that the league is considering orga-

nizing a municipal insurance pool for strapped cities.

Such a pool is at least six months away, but, considering the delays typical in litigation, it would be three to five years before any awards would come due, Barker said.

A number of states, including Tennessee, Michigan and New Hampshire, have such a pooling program.

Bob Shepard, Santa Cruz finance director, said that city is considering a pool insurance arrangement with several other cities on Monterey Bay.

## Poor town insures its officials but not itself

SACRAMENTO BEE, 9/9/85  
Bee Correspondent

TEHAMA — Town officials announced Sunday they have bought insurance to protect themselves from being sued, even though their tiny municipality is still uninsured.

Most members of the City Council and the city clerk said earlier they might resign after coverage for the town of 386 people expired at the end of August and no new underwriter could be found. Officials also discussed incorporating to solve the problem.

The town, which functions on a general operating budget of only \$25,000 a year, could not afford skyrocketing premiums induced by current law that could increase its liability as a defendant in some cases.

City Clerk Carolyn Steffan said the city purchased a policy retroactive to Sept. 1 to provide personal liability coverage for up to \$500,000 for the officials. The city will pay \$3,200 a year for that coverage.

Vice Mayor John Wilson said the personal liability coverage eased his worry over being sued because of his status as a councilman. "That will give us some protection if we have a problem."

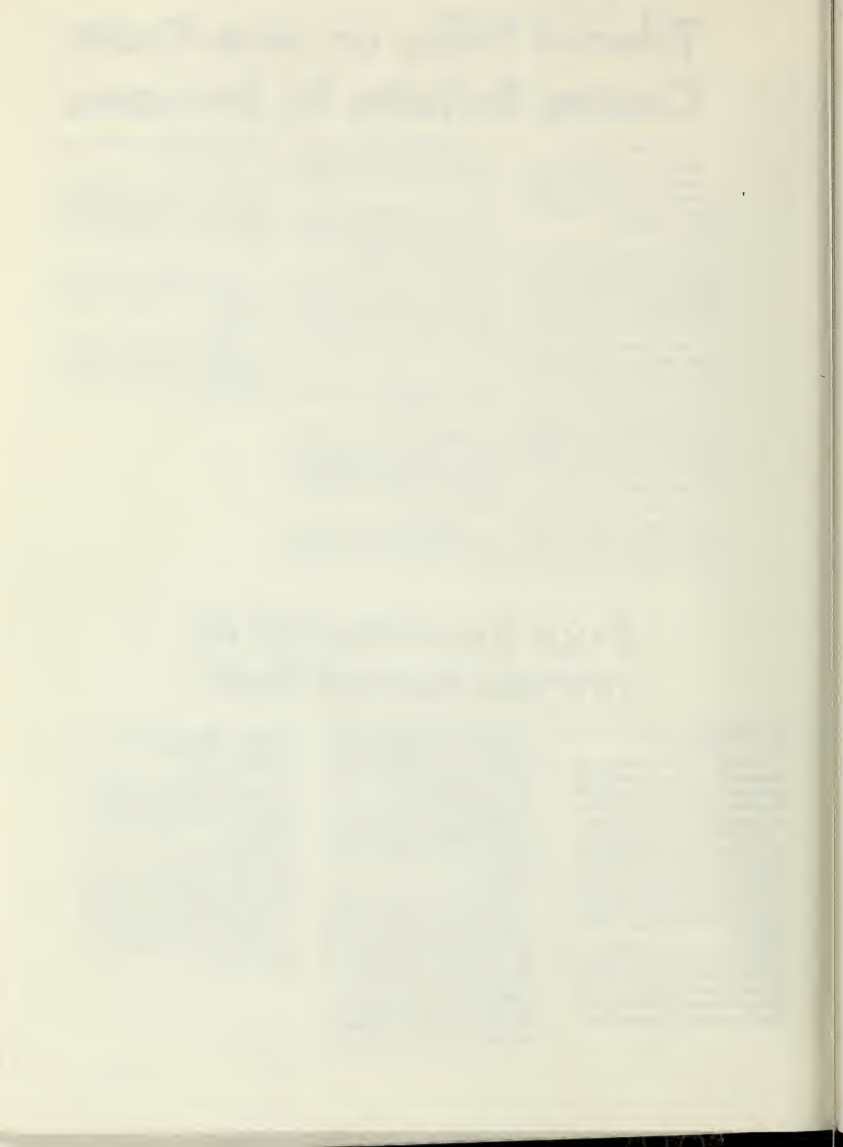
Steffan and Wilson said the search will continue for an insurance carrier willing to sell full coverage to the town. The possibility of becoming part of a group of cities insured under a joint powers agreement is also being explored, Steffan said.

With its limited budget, Tehama has no police and fire services — which are provided by the county — and only four part-time employees,

including Steffan, a treasurer, a city attorney and a streets and parks maintenance man.

Wilson said the solution for Tehama's problem, which is shared by Portola, Point Arena and other small towns, lies with the Legislature in Sacramento.

The legislators must change the state's so called "deep pocket" law, Wilson said. That law now enables an injured plaintiff to recover an entire judgment from a single wealthy or well-insured defendant — such as a city or other government entity — even if that defendant was only 1 percent at fault.





# RTD Braces for Big Insurance Rate Hike

By VICTOR MERINA, Times Staff Writer

The financially strapped Southern California Rapid Transit District, caught in the grip of skyrocketing insurance rates, is bracing for an increase in its annual premium from \$67,000 to as much as \$4 million when its current policy expires next week.

RTD officials said they have engaged in an exasperating search for a new liability insurance carrier to take over when their policy lapses at midnight July 31 and have turned to an insurance broker for help.

They said, however, that they do not believe the prospects of paying a staggering insurance premium will lead to cuts in bus service. Nor do they believe that an inability to obtain insurance will result in a shut-down.

"I can comfortably predict that we will get adequate insurance and there will not be any stoppage in service," Board President Nikolaos Patsouras said Friday.

## Positive Outlook

"I'm 99% sure that we will be able to obtain the necessary insurance coverage," said RTD General Manager John A. Dyer. "There's an outside chance, but it's highly unlikely, that we will have to suspend operations temporarily."

Dyer's concern over a possible disruption in bus service became public Thursday, when he told stunned board members that the RTD was having trouble finding insurance companies to underwrite a policy that protects the district against a catastrophic accident.

Currently, the RTD is self-insured for \$1.5 million and pays a \$67,000 annual premium for another \$28.5 million in cata-

strophic insurance. However, what had been expected to be a routine renewal of its three-year policy was thrown into disarray when it could find no companies—including its current carriers—interested in providing insurance coverage.

RTD officials said they were surprised, because the bus system's accident record was no worse this year than in the past. In the last five years, they said, the RTD has not exceeded its deductible.

They hired an insurance broker to help them and learned that insurance companies have become skittish about providing liability insurance to government agencies, unless the agencies are willing to pay huge premiums.

Dyer said he expects the RTD will have to pay an annual premium ranging from \$2 million to \$4 million to insure its 2,200 buses.

## Fare Increases

The RTD is already in tough financial straits. It has recently been saddled with the loss of \$43 million in local transit subsidies and could face millions of dollars in additional cuts from the federal government later this year. A series of service cutbacks and fare increases took effect July 1, when the basic fare went from 50 cents to 85 cents.

"It's crazy," director Marvin Holen said of the insurance situation.

He said he fears the total cost to the district could climb as high as \$5 million.

"I think it's very risky to run without insurance. We'll do whatever we can to get insurance, at whatever price is available," Holen added.

While that price tag is expected to be substantial, it apparently reflects a trend in the transit industry. Transit districts in Long Beach and Monterey have seen their premiums more than double for liability insurance, while the Orange County Transit District recently obtained a new policy and paid \$412,500 in premiums, as contrasted with \$88,000 previously, and received less coverage.

The examples extend beyond California.

"It is a serious problem," said Robert Batchelder, chief counsel for the American Public Transit Assn., whose members carry 95% of the country's transit riders.

"We're getting a call a day from transit systems having trouble obtaining coverage. And when coverage is obtained, it is at greatly inflated rates," he said.

Batchelder and others said the skyrocketing rates, which also have hit governmental agencies and private corporations that rely on liability or catastrophic insurance, is not due to a poor record by transit operators but on other factors.

1770  
1771  
1772  
1773  
1774  
1775  
1776  
1777  
1778  
1779  
1780  
1781  
1782  
1783  
1784  
1785  
1786  
1787  
1788  
1789  
1790  
1791  
1792  
1793  
1794  
1795  
1796  
1797  
1798  
1799  
1800

# State OKs plan to lower child-care insurance

UNITED PRESS INTERNATIONAL

SACRAMENTO — The insurance industry, legislators and the Deukmejian administration have reached agreement on a plan to provide affordable liability insurance to California's 40,000 licensed child-care centers, it was disclosed yesterday.

In a letter released by Sen. John Seymour, R-Anaheim, state Insurance Commissioner Bruce Brunner said he has approved a "market assis-

tance plan" to help alleviate rising premiums and shrinking coverage for child-care providers.

Brunner said his approval is contingent upon at least 20 insurance companies agreeing to participate in the plan by combining resources to provide affordable coverage. But Seymour said only 13 firms so far have volunteered to participate.

Brunner said legislation must be enacted to get the needed number of insurance companies to participate.

The insurance industry helped develop the plan.

The child-care industry this summer was hit with premiums that in some cases had tripled, threatening to put some providers out of business. The premiums rose partly because of the prospect of losses in child molestation cases.

Seymour said that under the plan, "child care centers whose insurance rates went to \$250 to \$1,200 would see it reduced to the \$400 to \$500 level."

BUSINESS INSURANCE, 7/8/85

## Public entity dilemma: Go bare or bust

By MEG FLETCHER

Dallas officials don't like it, but they are operating their city of 1 million residents without liability insurance.

They have chosen to "go bare" since May 1 rather than pay premium increases of at least 600% and as much as 1,000% for less liability coverage than the city previously had for police, public officials and city vehicles, said Risk Manager Mark Ferraro. He is hoping to replace the coverage by early fall.

Other public entities are also operating without liability coverage, either because they refuse to pay the price insurers are demanding or because their insurers have dropped them:

- Baton Rouge, La., with 450,000 area residents, has gone without primary and excess general liability insurance and excess auto liability insurance since April because officials there believe the rates quoted to them this year were too high.

Last year, the city paid \$116,490 for \$500,000 in primary general liability coverage above a self-insured retention of \$100,000 and \$50,000 for excess general liability and excess auto liability coverage up to \$10 million.

This year, Baton Rouge received a \$1.2 million quote from one insurer for about the same amount of coverage, but over a \$500,000 self-insured retention.

The city, which was already self-insuring its public official and police professional liabilities, does not expect to be able to

renew its primary auto liability coverage in November either, said Risk and Insurance Manager Irvin F. Jones.

- Five Rocky Mountain state governments recently received non-renewal notices from the Colonial Penn Insurance Co. for their comprehensive general liability policies, which include coverage for police and public officials.

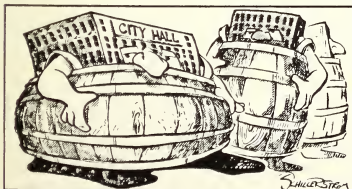
However, Colonial Penn is hopeful that an agreement on another contract can be reached with the states—Colorado, Idaho, New Mexico, Utah and Wyoming—before policies expire in September, said Cecil Munson, president of Public Entity Underwriters Ltd. in Denver, the underwriting manager for Colonial Penn.

- About 25 California counties were still waiting to hear last week if they would have excess liability insurance after July renewals.

The counties were struggling to put together limits of \$15 million this year, to replace \$30 million in coverage that they had up until July 1.

The counties, each of which self-insures the first \$500,000 of its liability exposures, purchase their excess coverage through a pooling arrangement set up through the County Supervisors Assn. of California Excess Insurance Authority in Sacramento.

Last year, Transcontinental Insurance Co. provided \$30 million in excess coverage above the counties' retentions, but this year it only agreed to write \$500,000 excess of \$500,000.



**Next week: Rejected by commercial insurers, public entities join risk pooling groups to cover their risks.**

THE  
JOURNAL OF THE  
ROYAL ANTHROPOLOGICAL INSTITUTE  
OF GREAT BRITAIN AND IRELAND  
VOLUME 34  
PART 1  
1904

# Public Health in India

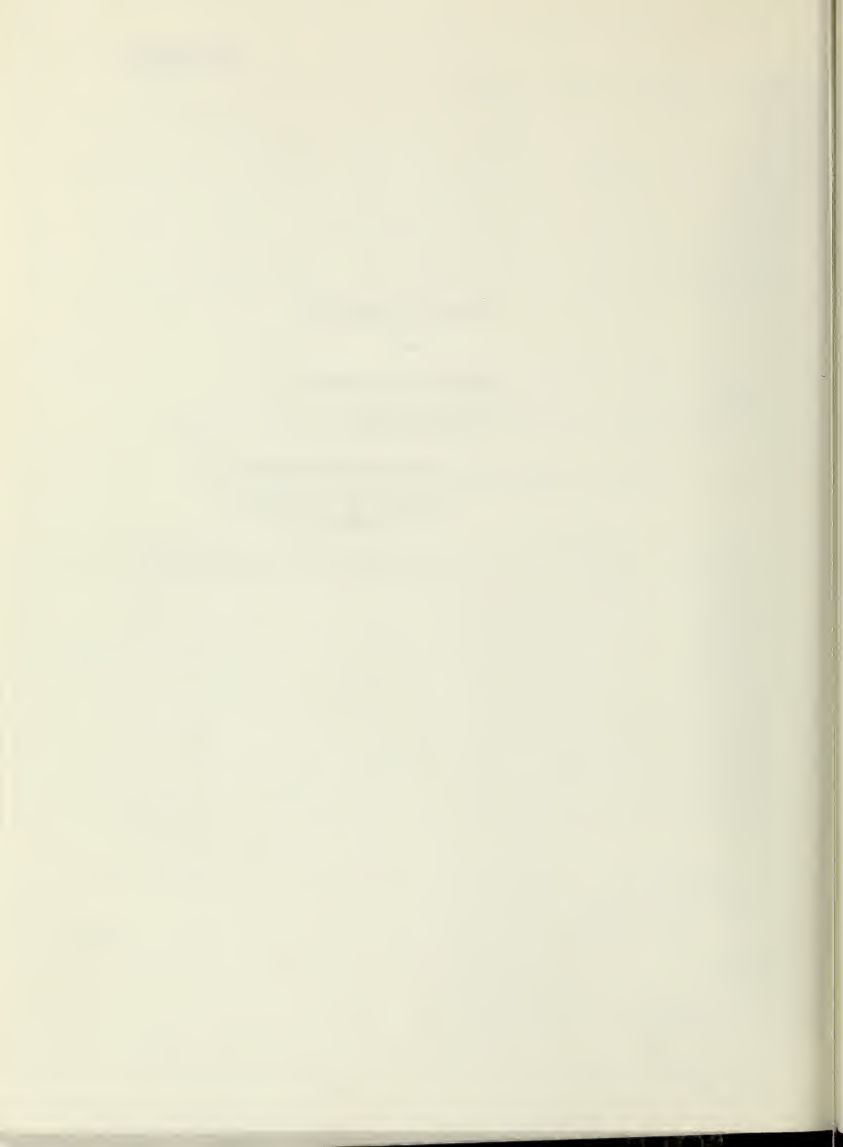
By  
J. H. COLEMAN  
F.R.S.  
F.R.C.P.  
F.R.S.E.  
F.R.S.M.  
F.R.S.N.  
F.R.S.O.  
F.R.S.I.  
F.R.S.A.  
F.R.S.C.  
F.R.S.D.  
F.R.S.E.  
F.R.S.M.  
F.R.S.N.  
F.R.S.O.  
F.R.S.I.  
F.R.S.A.  
F.R.S.C.  
F.R.S.D.

THE  
JOURNAL OF THE  
ROYAL ANTHROPOLOGICAL INSTITUTE  
OF GREAT BRITAIN AND IRELAND  
VOLUME 34  
PART 1  
1904

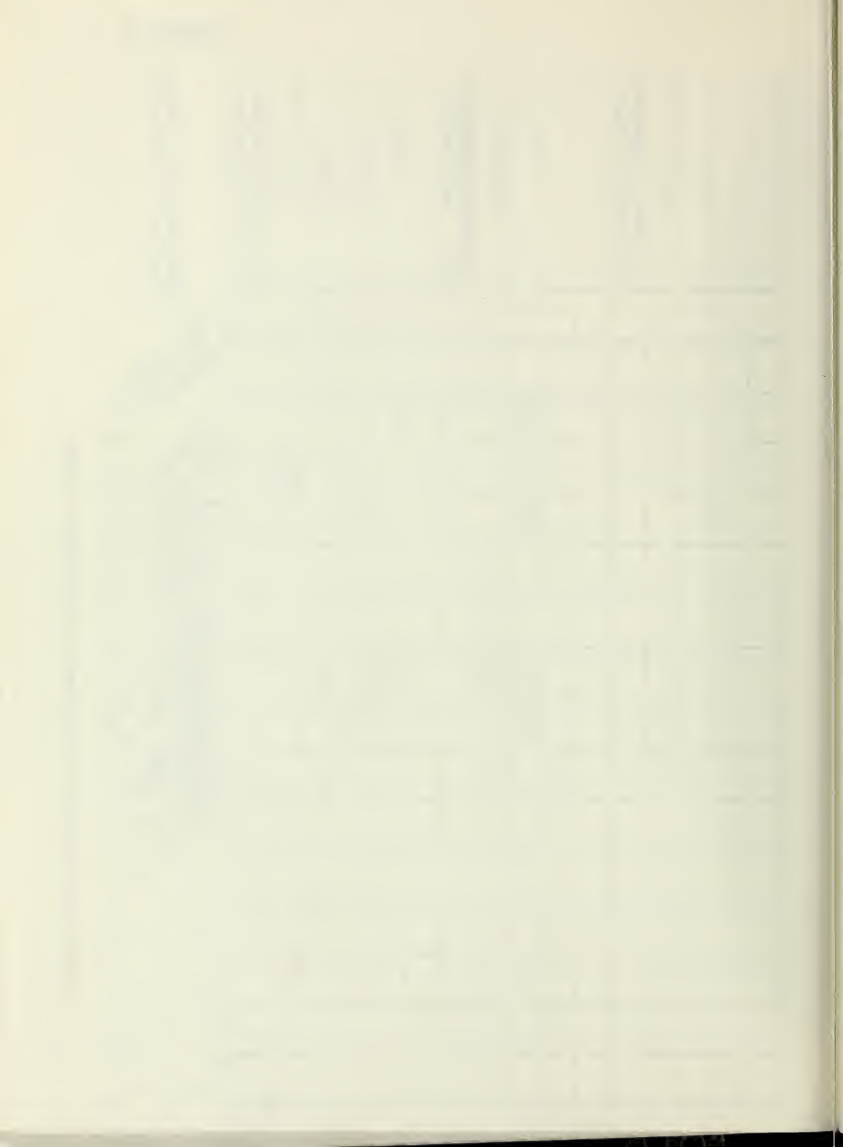


GENERAL STANDARDS  
FOR  
INSURANCE AND BONDING  
REQUIREMENTS

1. CONSTRUCTION CONTRACTS
2. LEASE AND CONCESSION  
CONTRACTS
3. PERSONAL SERVICE CONTRACTS





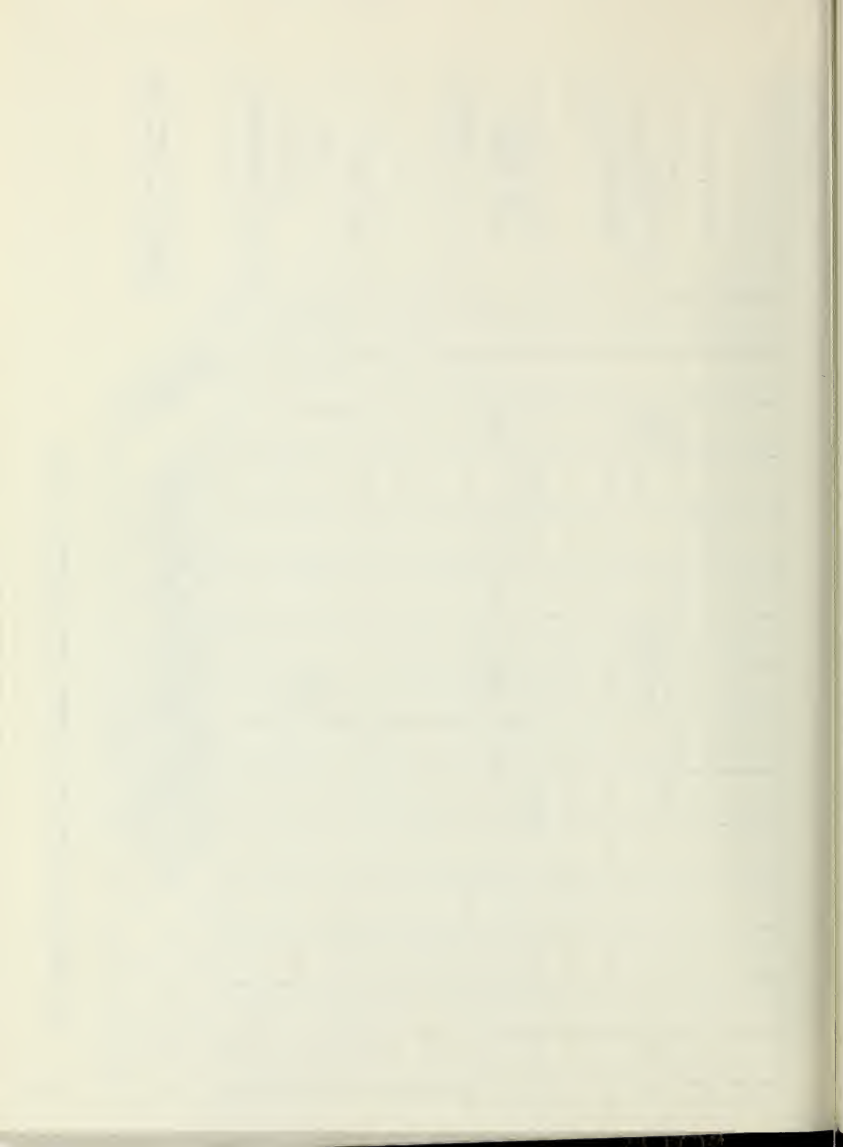




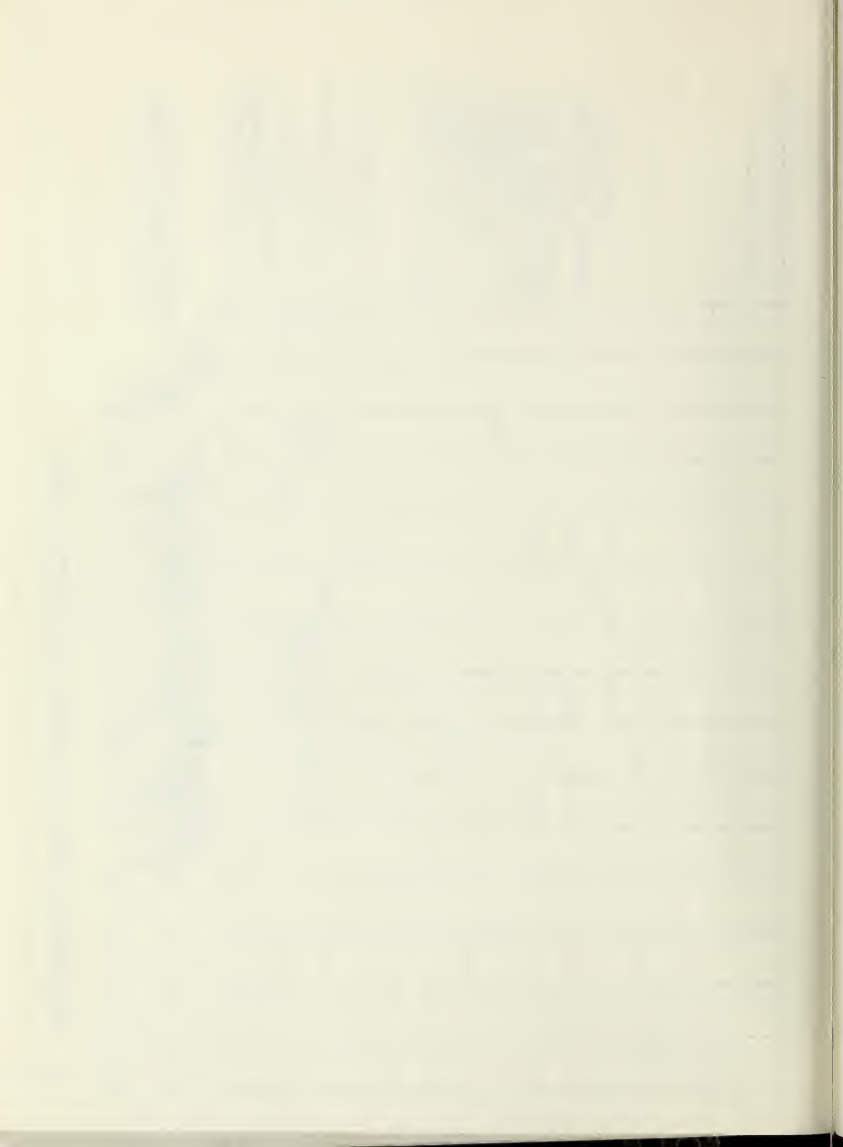
## GENERAL STANDARDS FOR INSURANCE AND BONDING REQUIREMENTS

## CONSTRUCTION CONTRACTS

CONSTRUCTION CONTRACTS		NO. AGENCIES REQUIRING	AIRPORT'S COMMISSION	HOUSING AUTHORITY	PARKING AUTHORITY	PORT COMMISSION	PUBLIC UTILITIES COMMISSION	DEPT. OF PUBLIC WORKS	REDEVELOPMENT AGENCY	RECREATION AND PARK
<b>4. PROFESSIONAL LIABILITY</b>										
a. \$1,000,000	1						1M Fed1 1M			
b. Other	1									
c. No Requirement	7	0	0	0	0	0		0	0	
<b>5. BID BOND</b>										
a. 10% Bid Amount Depends on	6	10%	2	10%	10%	10%	10%	10%		
b. Contract Amount	2		varies					varies		
<b>6. PERFORMANCE BOND</b>										
a. 50% Amount Contract/Bid	4	50%	1 50%			50%	50%			
b. 100% Amount Contract/Bid	6	FAA 100%			100%	UMTA 100%	Fed1 100%	100%	100%	
c. No Requirement	1			0						

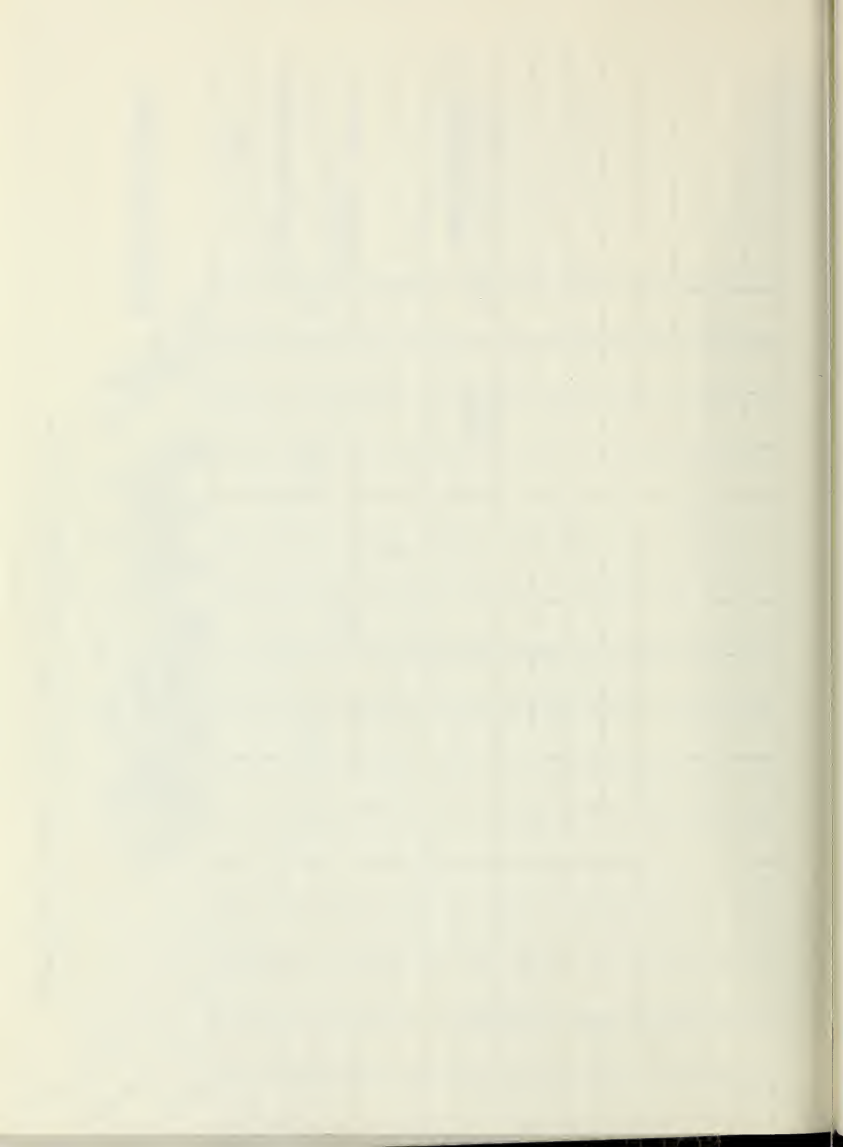






GENERAL STANDARDS FOR INSURANCE AND BONDING REQUIREMENTS

CONSTRUCTION CONTRACTS											
		NO. AGENCIES REQUIRING	AIRPORTS COMMISSION	HOUSING AUTHORITY	PARKING AUTHORITY	PORT COMMISSION	PUBLIC UTILITIES COMMISSION	DEPT OF PUBLIC WORKS	REDEVELOPMENT AGENCY	RECREATION AND PARK	
FEES											
9. DRAWINGS & BLUEPRINTS											
a. \$10	2		\$10					\$10			
(with size of											
b. Varies package)	1					5 varies					
10. LIQUIDATING DAMAGES											
a. \$100 - \$2,000 Per Day 1			\$100 to 2K								



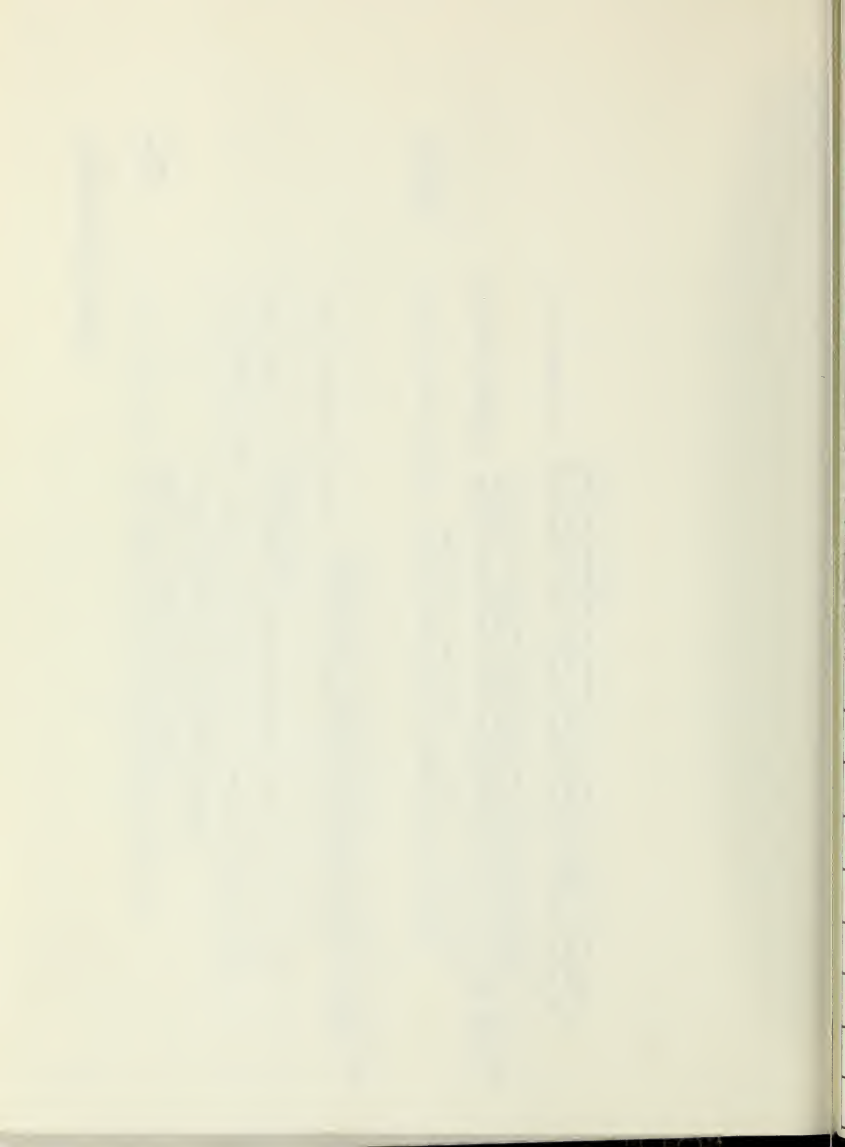
CONSTRUCTION CONTRACTS

NOTES

1. Housing Authority: Performance Bond and Labor and Material Payment Bond required for contracts over \$5,000.
2. " Bid Bond required on contracts over \$50,000.
3. Redevelopment Agency: Guaranty Bond applies only to Site Improvement contracts.
4. Port Commission: Environmental Insurance required for contracts dealing with hazardous waste.
5. Public Utilities Commission: Fees for drawings and blueprints charged only occasionally by Utilities Engineering Bureau for complex projects requiring many drawings to be supplied to the bidder.

COMMENTS

6. Public Works Department: Various other types of insurance may be required depending on the kinds of services to be performed.
7. Housing Authority: Bonding requirements can be negotiated depending on the type of risk involved. Insurance requirements may be increased or waived depending on the risk involved and the type of work to be performed.
8. Port Commission: Requirements can be adjusted either upward or downward depending on the particular contract involved and the amount of exposure to risk, as determined by agency staff, the City Risk Manager and the City Attorney.





## CONTRACTS

[illegible]



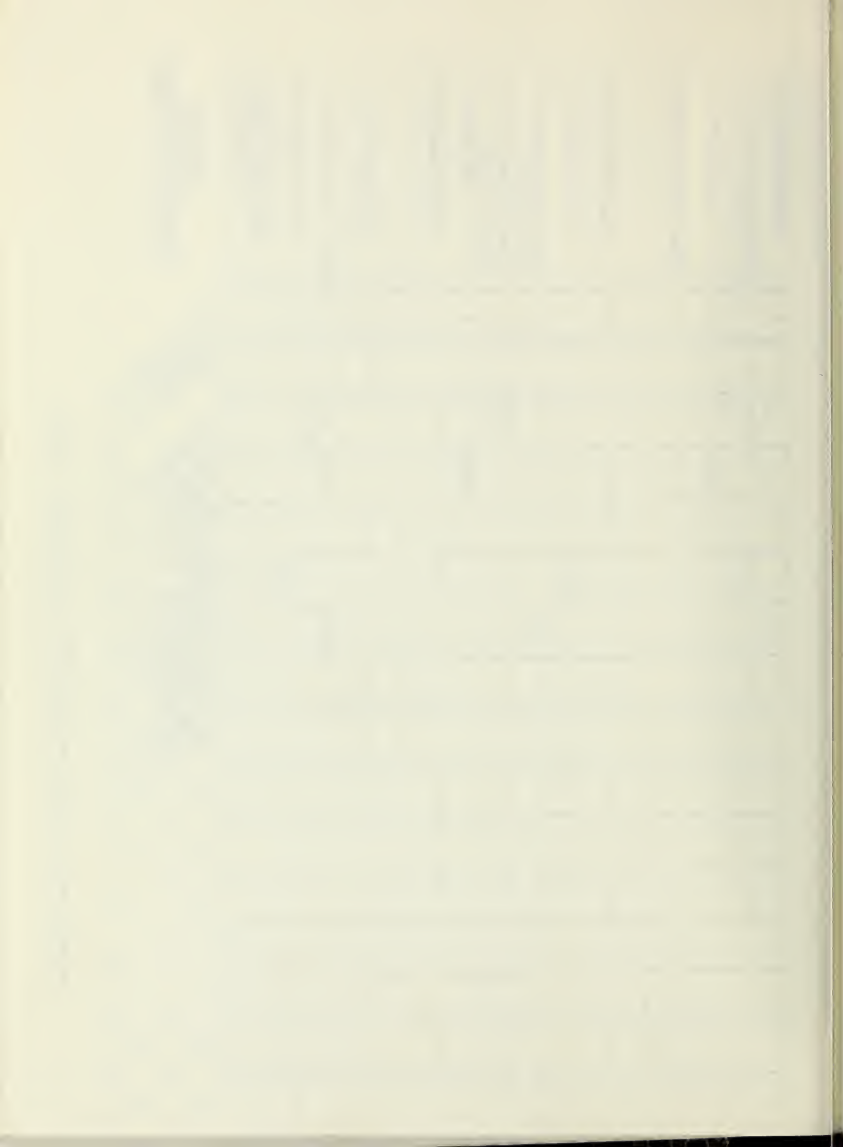
- 72 -

AGENCIES  
REQUIRING

AIRPORTS  
COMMISSION  
PARKING  
AUTHORITY  
PC

PORT COMMISSION  
REAL ESTATE  
DEPARTMENT  
RECREATION  
AND PARK  
WAR MEMORIAL  
BOARD

[illegible]



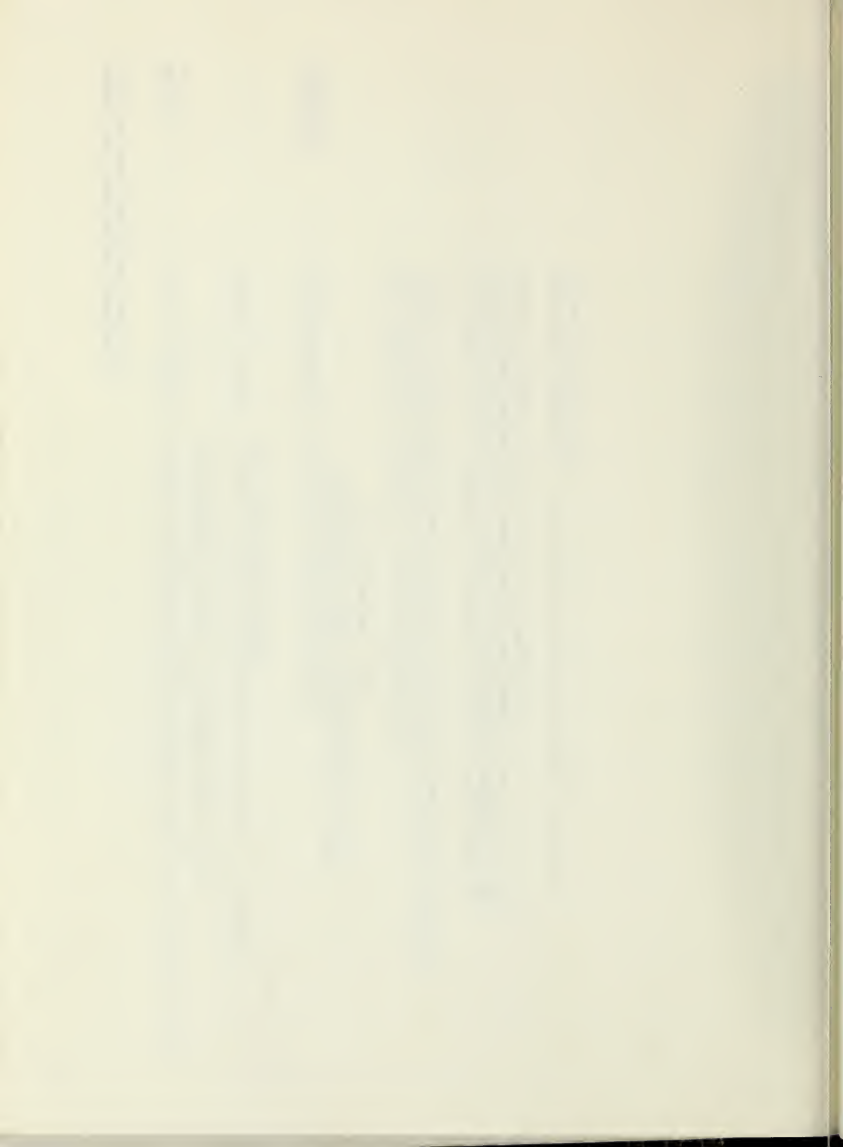
LEASE AND CONCESSION CONTRACTS

NOTES

1. Airport Commission: Property Improvement Coverage required, 100% of the replacement value.
2. " : Fidelity Bond required for parking garage contract.
3. Parking Authority: Property Insurance includes Business Interruption Insurance, 100% annual gross earnings.

COMMENTS

4. Parking Authority: Additional requirements include  
•Garage-keepers Legal Liability (amount varies)  
•Comprehensive Boiler and Machinery Insurance,  
100% replacement value
5. Port Commission: Requirements could be adjusted either upward or downward depending on the contract involved and the amount of exposure to risk, as determined by agency staff, the City Attorney and the City Risk Manager.
6. War Memorial Board: Purchaser may determine to waive or adjust insurance requirements depending upon the nature of the contract. Depending on the nature of the contract, the agency may, after consulting with the City Risk Manager increase or decrease insurance requirements.
7. Real Estate Department: Certificates of deposit or letters of credit are allowed in lieu of bonds.



## PERSONAL SERVICES

## CONTRACTS

- 74 -

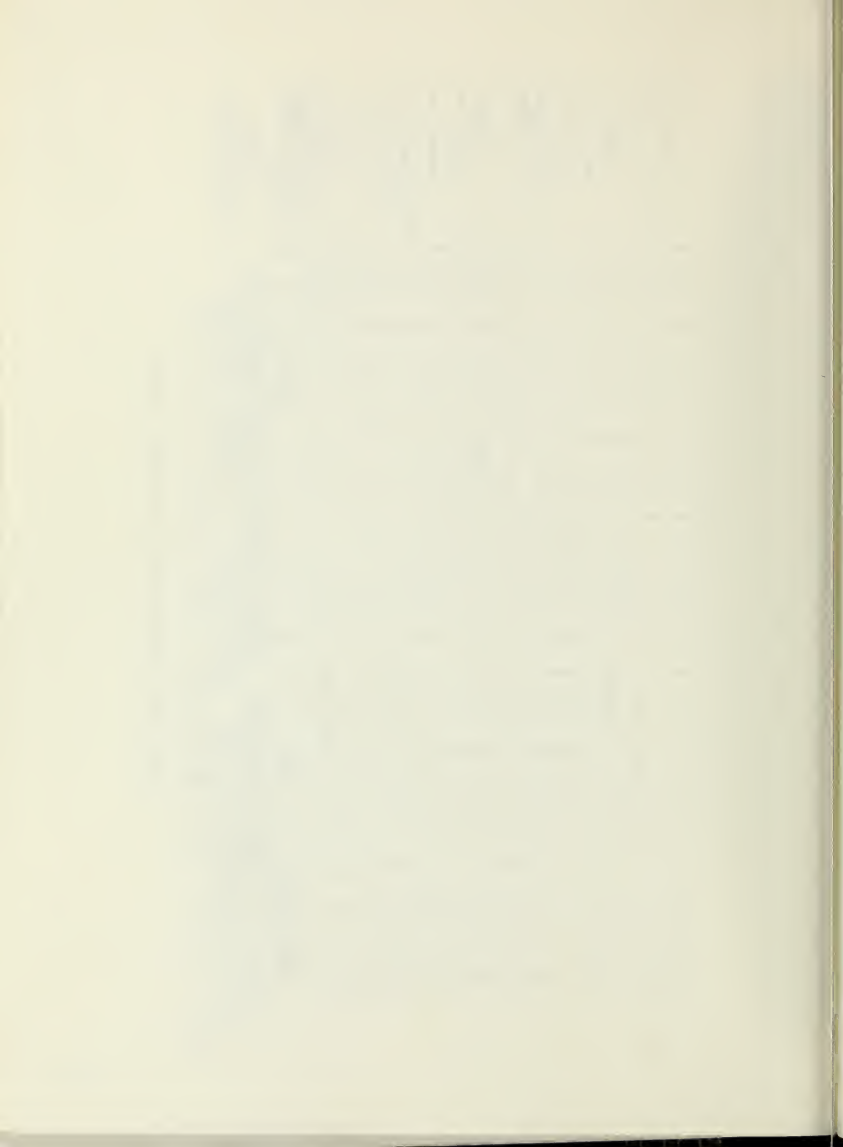




## PERSONAL SERVICES

## CONTRACT

- 75 -



GENERAL STANDARDS FOR INSURANCE AND BONDING REQUIREMENTS

PERSONAL SERVICES CONTRACTS		NO. AGENCIES REQUIRING	AIRPORTS COMMISSION	ARTS COMMISSION	BOARD OF SUPERVISORS	CHIEF ADMIN. OFFICER	CITY ATTORNEY	CITY PLANNING COMMISSION	CIVIL SERVICE COMMISSION	CONTROLLER	DISTRICT ATTY.	FAMILY SUPPORT	EMPLOYEES' RETIREMENT SYSTEM	FIRE DEPARTMENT	HEALTH SERVICE SYSTEM	HOUSING AUTHORITY	HUMAN RIGHTS COMMISSION	JUVENILE COURT	LAW LIBRARY	MAYOR'S OFFICE
6. PERFORMANCE BOND																				
a. \$ 40,000	1			1						40K				1				1	1	1
b. 50,000	1																			
c. Other	3					0.5% 100% contract					varies									
ADDITIONAL REQUIREMENTS																				
7. AIRCRAFT LIABILITY																				
a. \$ 1,000,000	1																			
b. 10,000,000	1																			
8. CRIME INSURANCE																				
a. \$1,000,000	1																			

# THE BIBLE

THE BIBLE is the sacred book of the Christian religion. It contains the history of the world, the lives of the prophets, the teachings of Jesus Christ, and the lives of the apostles. It is the foundation of our faith and the source of our spiritual life.

The Bible is divided into two main parts: the Old Testament and the New Testament. The Old Testament contains the history of the Jews and the laws of Moses. The New Testament contains the life and teachings of Jesus Christ and the lives of the apostles.

The Bible is written in Hebrew, Greek, and Latin. It is the most important book in the world and is read by millions of people every day.

PERSONAL SERVICE CONTRACTS

NOTES

1. These are departments and agencies reporting that they a) have no contracts; b) have only a few highly specialized contracts; or c) have no insurance, bonding or fee requirements.
2. Treasurer-Tax Collector manages two contracts for the Parking Authority: Brinks - coin collecting and Burns - street collecting. Where there is a difference in the dollar amount for a requirement, the contracts have been denoted as "BR" for Brinks and "BU" for Burns.

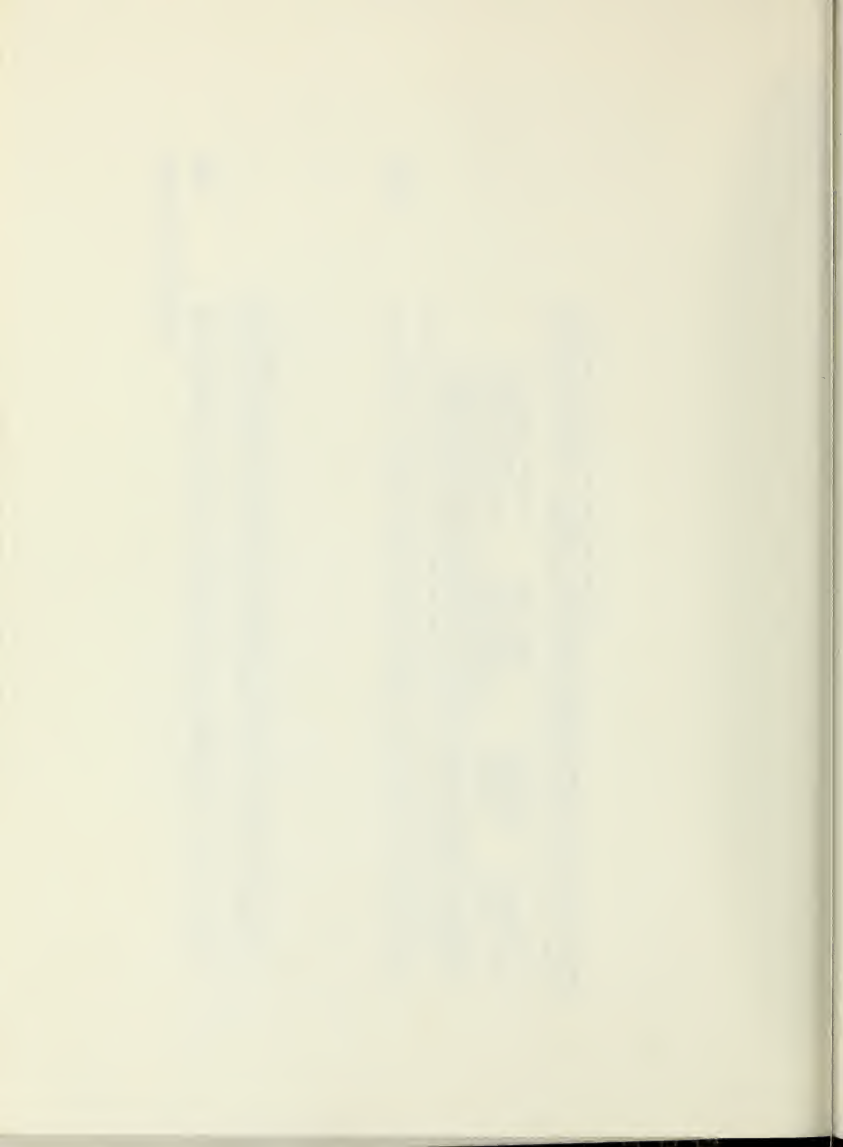
COMMENTS

Port Commission: Professional Liability required - \$1,000,000 to \$3,000,000. Low of \$1,000,000 will be used for contracts with no plans or specifications. The risk will determine the amount required.

Several departments/agencies reported that the requirements could be waived (sometimes) and adjusted depending on the amount of the contract and the exposure of risk to the City. Adjustments or waivers are made after consultation with the proper City authority--Risk Manager, City Attorney and/or Purchaser. These departments/agencies include:

Chief Admin. Officer	Parking Authority	Purchasing	Sheriff
Civil Service Commission	Port Commission	Real Estate	Social Services
Housing Authority	Public Health	Redevelopment	War Memorial
Human Rights Commission	Public Library	Registrar	

Those departments/agencies reporting that they use the Purchasing Dept. Guidelines and/or gave no details were assigned the standard requirements - auto and general liability and worker's compensation and employers' liability (\$1,000,00 each). It should be noted that these requirements can be adjusted or waived according to risk and per services involved in the contracts.



1. SUMMARY OF STANDARD BONDING  
AND INSURANCE REQUIREMENTS,  
SAN FRANCISCO

2. SAMPLE INSURANCE CLAUSES FOR  
PERSONAL SERVICE CONTRACT,  
SAN FRANCISCO

Wo  
1

Ro  
Sat

Th  
by  
Th

1.

2.

3.

4.

5.

6.

7.

8.

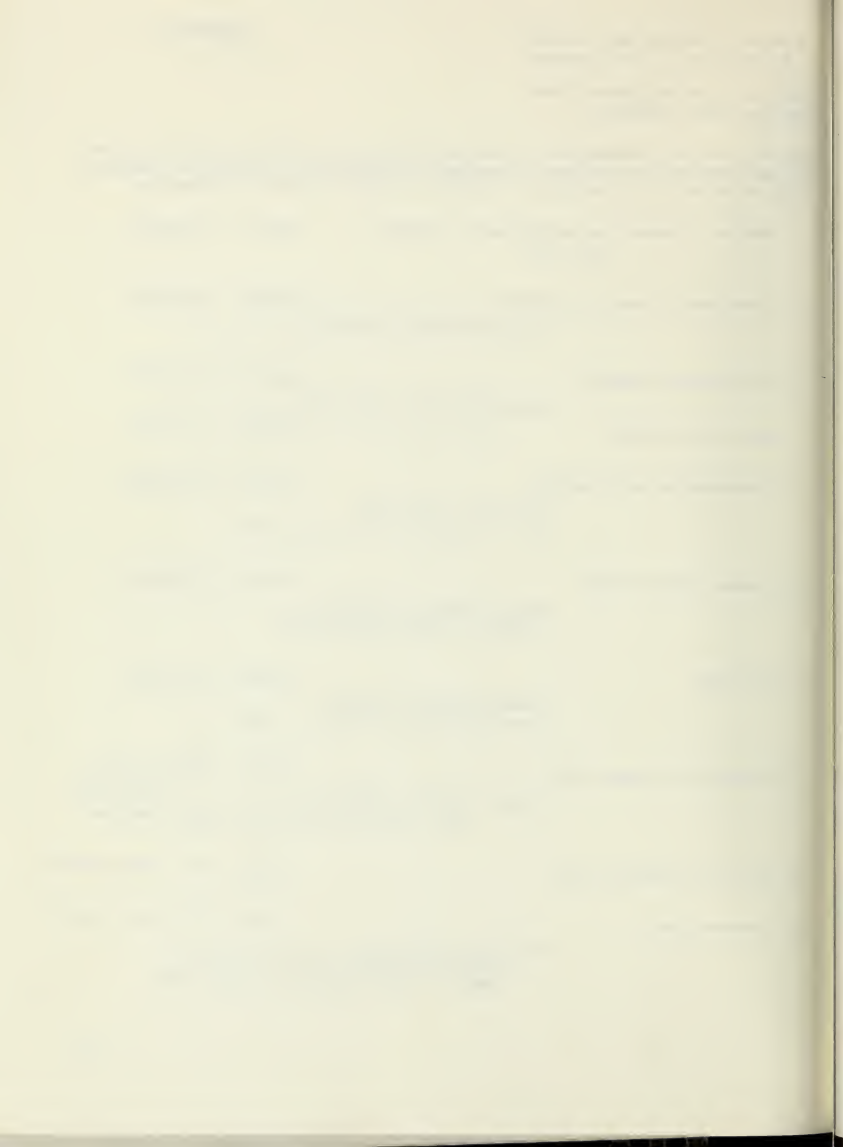
9.



Room 1157, 350 McAllister Street  
San Francisco, California

The following is a compilation of selected bonding and insurance coverages required by San Francisco City and County Departments and Agencies in the award of contracts. This preliminary study material is provided to assist the workshop discussion.

- |   |  |
|---|--|
| 1. Workers' Compensation and Employers' Liability<br>(State Law)  | Standard \$1,000,000                   |
| 2. Comprehensive General Liability<br>Range \$300,000 - \$5,000,000   | Standard \$1,000,000                   |
| 3. Professional Liability<br>Range \$250,000 - \$3,000,000  | Standard \$1,000,000                   |
| Errors and Omission   | Standard \$ 250,000                    |
| 4. Comprehensive Auto Liability<br>Range \$0 - \$1,000,000<br>\$0 - If auto is not used in contract                             | Standard \$1,000,000                   |
| 5. Blanket Fidelity Bond<br>Range \$50,000 - \$1,000,000<br>Various, including 50% contract                                     | Standard \$1,000,000                   |
| 6. Bid Bond<br>Bidder Security \$20,000<br>Good Faith Deposit \$2,000 - \$5,000   | Standard 10% of Bid                    |
| 7. Faithful Performance Bond<br>Ranges: \$40,000 - \$200,000<br>50% - 100% Contract/Minimum Annual Guarantee                    | Standard 100% Contract/<br>Annual Rent |
| 8. Labor and Materials Bond   | Standard 50% - 100% Contract           |
| 9. Guaranty Bond<br>10% Total Contract or<br>Faithful Performance Bond in force the<br>length of time required by Guaranty Bond | Standard 50% Final Contract            |



CITY AND COUNTY OF SAN FRANCISCO  
SAMPLE CLAUSES-PERSONAL SERVICES CONTRACT

**J. INSURANCE:** Consultant shall procure and maintain during the term of this contract the following insurance:

1. Worker's Compensation, with Employer's Liability limits not less than \$1,000,000 each accident.
2. Comprehensive General Liability Insurance, with limits not less than \$1,000,000 each occurrence, Combined Single Limit Bodily Injury and Property Damage, including Contractual Liability and Completed Operations coverage.
3. Comprehensive Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence, Combined Single Limit Bodily Injury and Property Damage, including Employer's non-ownership liability and hired auto coverages.

Comprehensive General Liability Insurance and Comprehensive Automobile Liability Insurance policies shall be endorsed to provide the following:

1. Name as Additional Insureds the City and County of San Francisco, its officers, agents and employees.
2. That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this contract, and that insurance applies separately to each insured against whom claim is made or suit is brought.

**K. INDEMNIFICATION:** Consultant will take all responsibility for its work, must bear all losses and damages directly resulting to it, to any of its subcontractors, to the City, the City's officers, representatives, agents and employees, on account of any act, error or omission in its performance of this Agreement. Consultant agrees to indemnify, to assume the defense and to hold harmless the City and the City's Officers, representatives, agents and employees from every claim, loss, damages, injury and expenses (including attorney's fees), judgment or direct or vicarious liability of every kind, nature, and description arising in whole or in part from its performance of this Agreement, (unless) judgment or direct or vicarious liability is caused solely, exclusively, and directly by the willful misconduct or negligence of the City, the City's officers, representatives, agents and employees.



SURVEY ON BONDING, INSURANCE AND FEES  
REQUIRED BY SAN FRANCISCO DEPARTMENTS  
AND AGENCIES IN THE AWARD OF CONTRACTS

A SUMMARY OF THE RESPONSES RECEIVED FROM THE 36  
DEPARTMENTS AND AGENCIES WITH CONTRACTS FOR PROFIT.



**SUMMARY: SURVEY ON BONDING, INSURANCE AND FEES  
REQUIRED BY SAN FRANCISCO DEPARTMENTS AND AGENCIES  
IN THE AWARD OF CONTRACTS**

TOTAL DEPARTMENTS AND AGENCIES WITH CONTRACTS FOR PROFIT IS 36

SEPTEMBER 1985

1. In order to do business with your agency or department, is a contract/vendor required to provide specific bonding, insurance and fees?

Yes - 28  
No - 4  
Other - 4

Other responses included: No contracts let by us;  
not required by us but by City; not usually.

2. May any of the listed bonds/insurance/fee requirements be waived or adjusted?

Yes - 17  
No - 10  
Other - 1

No answer - 3  
Not applicable - 5

If yes, please describe the circumstances and procedures for such waiver or adjustment.

- Auto liability is not required if the consultant has no car and does not drive in the performance of the duties of the contract. (Chief Admin. Officer)
- Section 351 of the City Planning Code allows waivers to non-profit organizations having a regular membership, civil welfare goals, and exemption from taxation under the Internal Revenue Laws. (City Planning)
- Requirement (Comprehensive General Liability) is usually not waived, but could be adjusted with proper City approval, depending on amounts and risk to City, and the specific contract. (Civil Service)
- a) Bonding requirements can be negotiated depending on the type of bid and risks involved. b) Insurance requirements may be increased or waived depending on the risk involved and type of work to be performed. c) Bonds may be paid by cash escrow equal to 25% of the contract amount or cash bond equal to 25% of the contract amount. (Housing Authority)
- Auto liability is waived if auto is not used/required by the terms of the contract (personal service contract). (Parking Authority)
- The listed requirements are general standards, developed in consultation with the City's Risk Manager. The insurance and/or bond requirements could be either adjusted upward or downward depending on the particular lease or contract involved and the amount of exposure to risk which is present, as determined by the staff, the City Attorney and the Risk Manager. (Port Commission)
- The Director can waive insurance requirements of liability or lower limits. This is for small contracts or very short-term contracts when obtaining insurance is not time-or cost-efficient, and when the City's liability is judged to be minimal. The City's Risk Manager is consulted prior to any such waiver; however final authority and responsibility rests with the Director. (Public Health)
- In some instances with respect to professional services agreements, after consultation with insurance consultants, specific types of coverage are waived when applicable to a specific contract. Example: Consultant who neither drives nor rents an automobile. The coverage may be waived. (PUC)
- The City requires bonds and insurance in type and amount appropriate to the particular service/product the City requires from the contractor/vendor, tempered by the realization that California's joint and several liability doctrine often makes public entities the "Deep-Pocket" Co-Defendants without much evidence of Public Entity liability. (Purchasing Dept)





2. continued

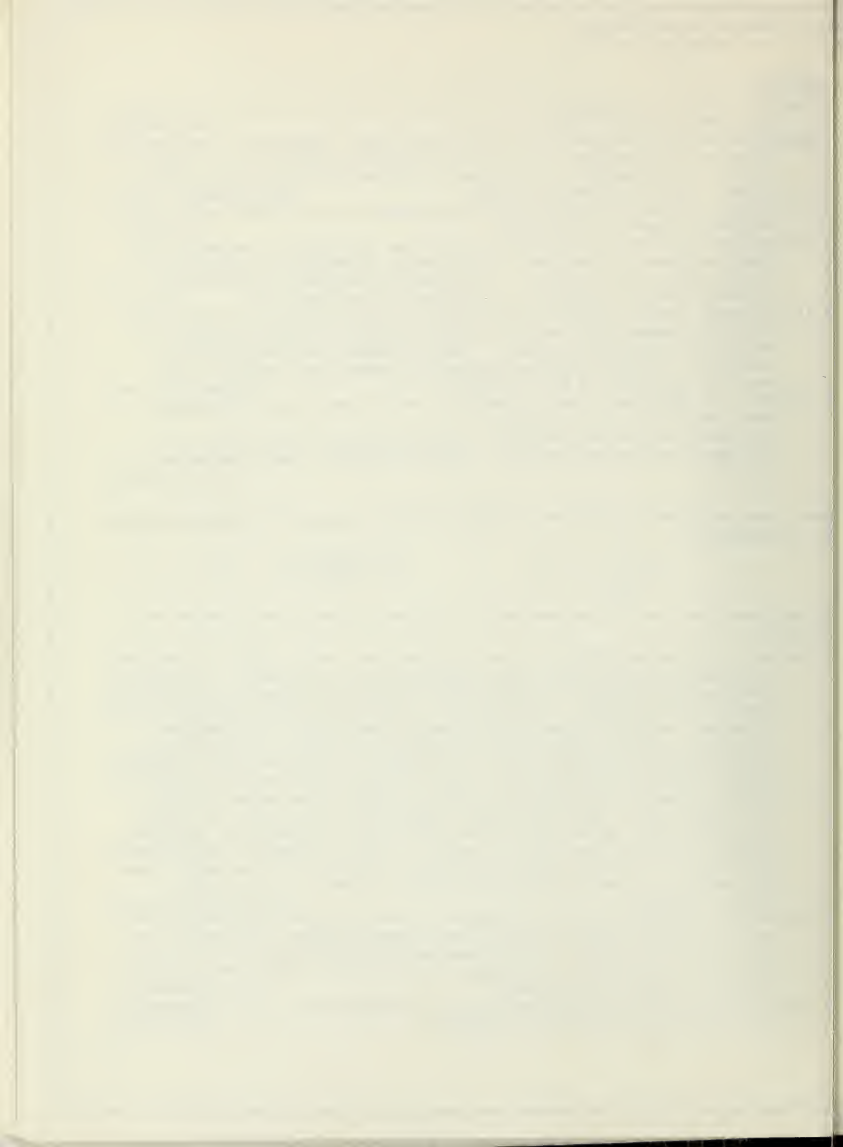
- Usually additional language is added allowing certificates of deposit or letters of credit in lieu of bonds. (Real Estate)
- Waivers/adjustments are given on a case by case basis, depending on the nature of services to be provided. The proposed contractor appeals to the respective contract administrator who then gets a decision from the Executive Office after review by the Legal Division. (Redevelopment Agency)
- All of them! These conditions have not been imposed at the departmental level. We have no power to change them. (Registrar)
- The Department has personal service contracts for psychological screening and legal services. No insurance is required in cases where a vehicle is not used as part of the contract. The Purchasing Department and the City Attorney's Office determine when insurance is not necessary. (Sheriff)
- If individual liability elements are different with different contractors, the City Risk Manager will advise us on the particular coverages required in specific contractual situations. Bonds are usually not required in our contracts. The City Purchaser handles any bonding requirements, which would be found only in bid contracts. (Social Services)
- Purchaser may determine to waive or adjust insurance requirements depending upon the nature of the contract. The agency may, after consulting with the City Risk Manager increase or decrease insurance requirements. Also auto liability can be waived or adjusted. (War Memorial)

3. Have there been specific problems with MBEs and WBEs meeting your bonding/insurance/fee requirements?

Yes	-	8	No answer	-	7
No	-	16	Not applicable	-	2
Other	-	3			

If yes, please describe the problems and any actions you have taken to solve the problems.

- Problems: a) Sometimes MBE/WBE's cannot acquire bonds due to high costs and lack of an adequate track record (three years or more in business). b) MBE/WBE's sometimes cannot afford to compete with large firms, thereby losing the bid and/or never competing. Action taken: a) 1982, Airports Commission approved Principal Concession Lease with requirements and goals for MBE/WBE/SBE subtenants. 1983, a similar lease, North Terminal (Hub), was approved with goals for MBE/WBE participation. As a result, five MBE/WBE's are operating retail shops at the Airport. b) A small business policy was also adopted in 1980 to encourage small MBE/WBE's to bid on Airport concession contracts. As a result three MBEs are operating (California Shoppe, Soaps & Lotions, and Shoe Shine). c) One major tenant (ABC Cigar) is a WBE firm, operating under three leases (News, Gifts, Candy). d) The food/beverage concessionaire was required to lease a cookie shop (1982) to an MBE. Current negotiations are under way to require additional MBE/WBE sublease(s) in the South Terminal Complex. (Airports Commission)
- Most of our contracts are with individuals, primarily artists, who usually cannot very well afford to put out the required premiums before they receive any money from the contract. We are powerless to solve the problem because the requirement comes from the Controller and Purchaser. To get our contracts through, we must have insurance. (Arts Commission)
- Other than securing the normal Certificate of Insurance with proper endorsements may cause delays in executing a contract. (Controller)



3. continued

- There have been complaints from many small contractors, including MBEs and WBEs, concerning the cost and availability of both bonding and insurance. (Port Commission)
- This information has not been collected. However, I believe the City's insurance requirements may be difficult on small contractors. (Public Health)
- In general MBE/WBE businesses do not have the required bank lines of credit required for prime projects in excess of \$100,000. The contract compliance office of the PUC recommends to the contractor the names, addresses and telephone numbers of insurance brokers who may be able to assist them. (PUC)
- The problem was trying to secure a fidelity bond for a vendor who had been awarded a contract. Attempts to find this insurance failed--several people tried to help. The insurance industry said they were not writing fidelity bonds for anyone, including the prior vendor for this particular contract. The City Risk Manager talked with some insurance people and was told that if the vendor was "big enough" he could get it. This was not so. It took the vendor one year to get the much needed insurance. The real problem is the "arrest and conviction" clause and the insurance industry's reluctance (unwillingness) to insure contracts with this current clause. This is a problem and needs to be addressed by contractors, insurance industry and business community. (Purchasing Dept)
- A single MBE had difficulty securing a Labor and Materials Bond and Performance Bond because their bonding company allegedly quit writing bonds for their type of work. This contractor had to go to the Small Business Administration to secure the bond. The same contractor has been unable to secure a guaranty bond to date for a recently completed job. The agency has not changed its bond requirements. (Redevelopment Agency)
- Only general problems. The problem is with any small business getting the type and amount of insurance that the City requires. Nearly all MBE/WBEs fall into the small business category. When and if they get it (insurance), then they must recover the cost and wind up with uncompetitive and/or high prices. One small business partner (not MBE/WBE) put his house up as security. They do business with ten (10) other counties of our size and never had seen anything like the requirements San Francisco imposes. (Registrar)
- The MBE/WBEs under personal service contracts are not required to have insurance. (Sheriff)
- In one case, the War Memorial submitted a purchase requisition for a specific job recommending an MBE vendor. The Purchaser required that insurance papers be filed by the MBE prior to awarding the contract. Following many follow-up calls during four months, the MBE contractor did file insurance papers with the Purchaser. The Purchaser is presently reviewing the insurance papers prior to issuing the purchase order. (War Memorial Board)

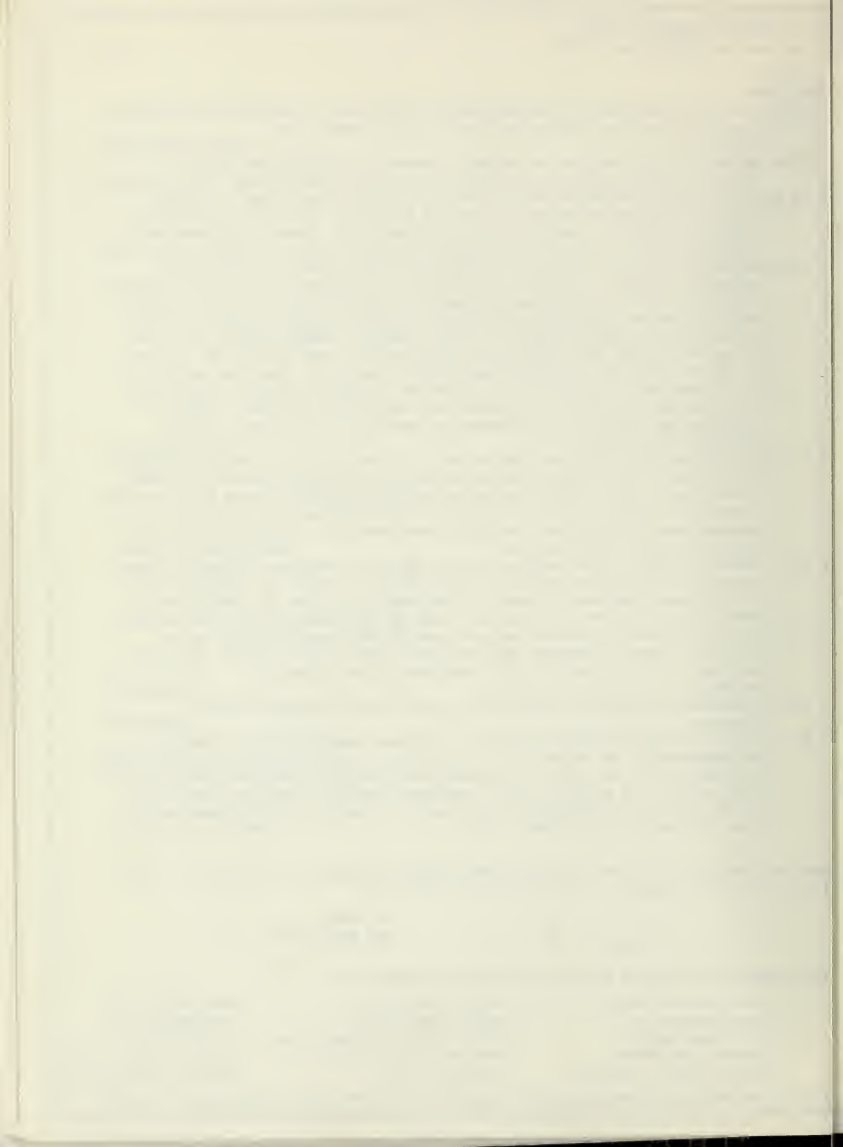
4. Does your agency/department provide written information about the bidding process/requirements for prospective contractors/bidders?

Yes	-	14	No answer	-	5
No	-	15	Not applicable	-	1
Other	-	1			

The agencies/departments providing written information are:

Airports Commission	Port Commission	Real Estate Dept.
Arts Commission	Public Health Dept.	Recreation and
City Planning Dept.	Public Utilities Commission	Park Dept.
Housing Authority	Dept. of Public Works	Redevelopment Agency
Human Rights Commission	Purchasing Dept.	Social Services Dept

Six of the other departments/agencies said the Purchasing Dept. handled all for them.



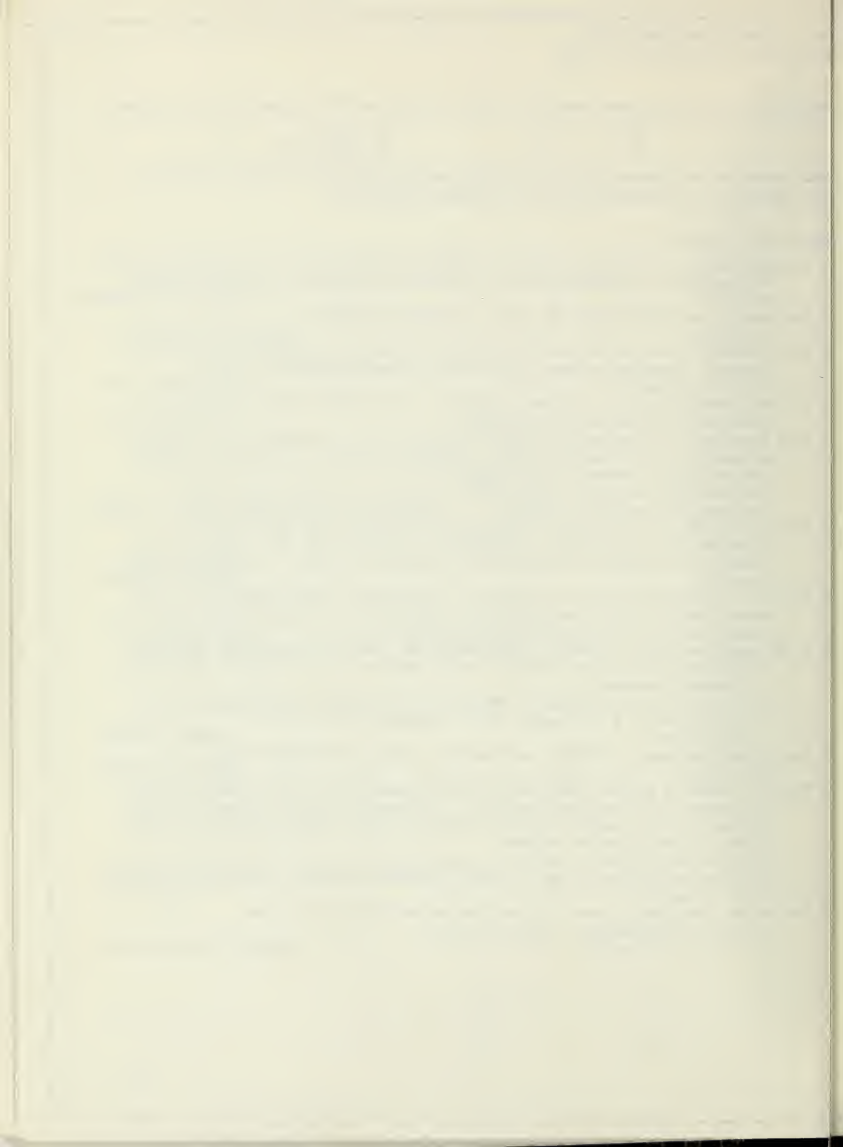
5. Does your agency/department maintain a list of MBE and WBE vendors and contractors?

Yes	-	13	No answer	-	5
No	-	17	Not applicable	-	1

Many agencies/departments stated that they use the MBE/WBE Directory provided by the Human Rights Commission and the Purchasing Department.

6. Additional comments.

- In March 1985, I conducted a survey to obtain information on the problems and kinds of assistance an MBE/WBE needed to develop and operate a retail concession at SFIA. (Airports Commission)
- The Board is a LEGISLATIVE body, does not conduct bidding operations. (Board of Supervisors)
- City Attorney does not have any specific requirements for contractors as to bonding, insurance or fees. We follow contract guidelines of the City's Purchaser. (City Attorney)
- The Department will place contract notices in the "Bids and Opportunities" publication issued by the Purchaser. (City Planning)
- Most goods and services are purchased through annual, renewable term purchase agreements or service/maintenance agreements that do not require a formal contract with insurance or bonding. Underwriters Laboratory, Inc. certification is required by the City on purchase of electrical products. (District Attorney/Family Support Bureau)
- The Mayor's Office has very few contractors and when a new contractual relationship is initiated, preliminary outreach, bids, etc., are usually conducted by another city department and the group that is requesting the contract. (Mayor's Office)
- The Port relies heavily on the expertise of the City's Risk Manager, Mr. Keith Grand, and he should be involved in the attempts to resolve problems regarding bonding and insurance requirements. (Port Commission)
- In my experience the insurance requirements can pose two significant problems:
  - 1) The language on the insurance accord must precisely include "additional insured" language.
  - 2) If insurance is allowed to expire any/all payments in progress will be delayed until a new accord can be forwarded to the City Controller. (Public Health)
- The Library processes all TPA's and contracts through the Purchasing Department. (Public Library)
- The City winds up paying (indirectly) for the added cost of unnecessary vendor insurance. I'm sure that the total "overcharges" from all vendors is much greater than any amount we could possibly lose in claims against the City caused by underinsured vendors. Unfortunately, there is no way of proving this as small businesses recover their extra insurance costs by simply bidding more than they would otherwise have charged us. (Registrar)
- Two of our three major department contracts are with non-profits:
  - a) Eviction Assistance - Salvation Army
  - b) Pretrial Diversion (Sheriff's Department)

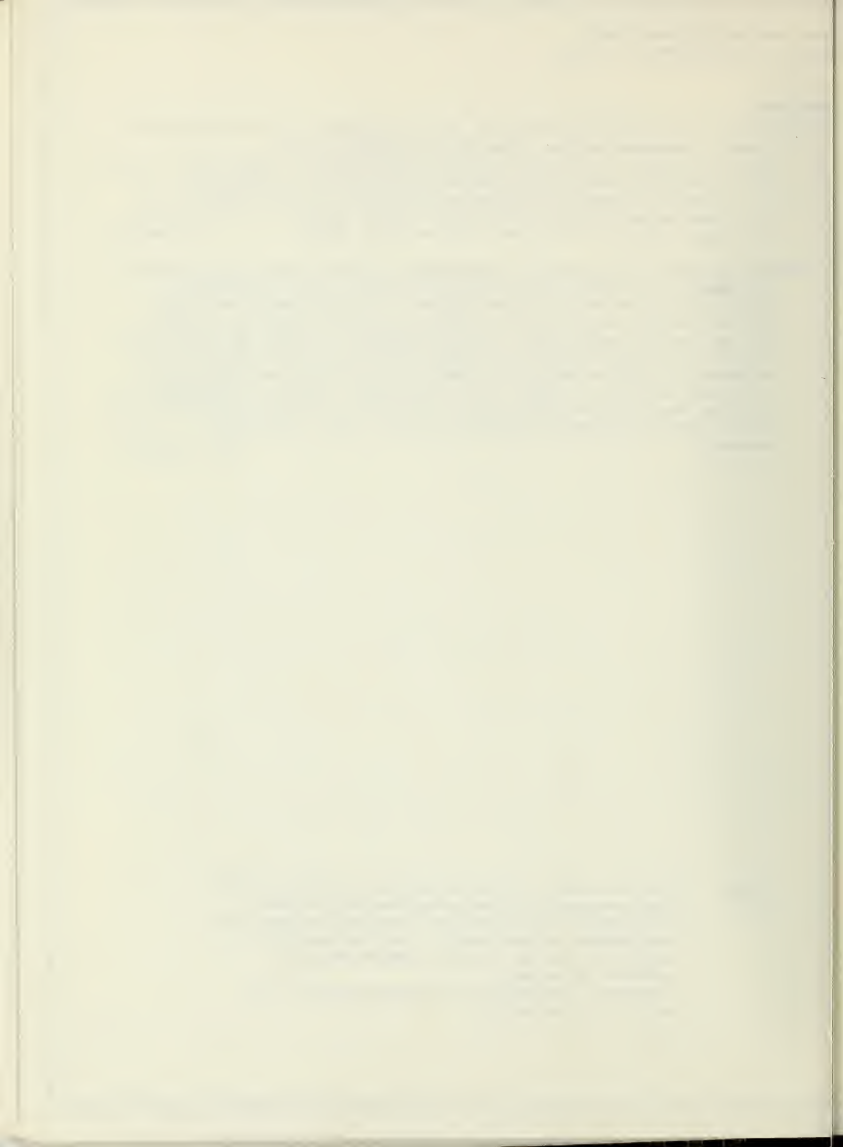


6. continued

- None of the three specialized contracts of the Treasurer's Office require any bonding, insurance or fees. The three contracts are for:
  - a) a fiscal agent in New York redeeming City bonds and coupons (since 1963);
  - b) a "Moneymax" Investment program maintenance and time sharing by Wismer Associates which developed the original program (since 1974);
  - c) a money market service from New York City by Telerate Corporation via video display in Treasurer's Office (since 1978). (Treasurer)
- With the exception of two concession agreements and proprietary term purchase agreements, all contracts for goods and services in the War Memorial facilities are put out to bid and awarded by the Purchasing Department. The War Memorial may recommend a vendor for specific goods or services and will in that case attach a vendor's proposal to a purchase requisition. However, the bidding process is handled by the Purchaser. Should it be necessary for the War Memorial to obtain bids for the purpose of awarding a contract without assistance from the Purchaser, contract requirements would be identified and included on a request for bid form that would include bidding process information and which would be sent to qualified vendors. (War Memorial)

NOTES

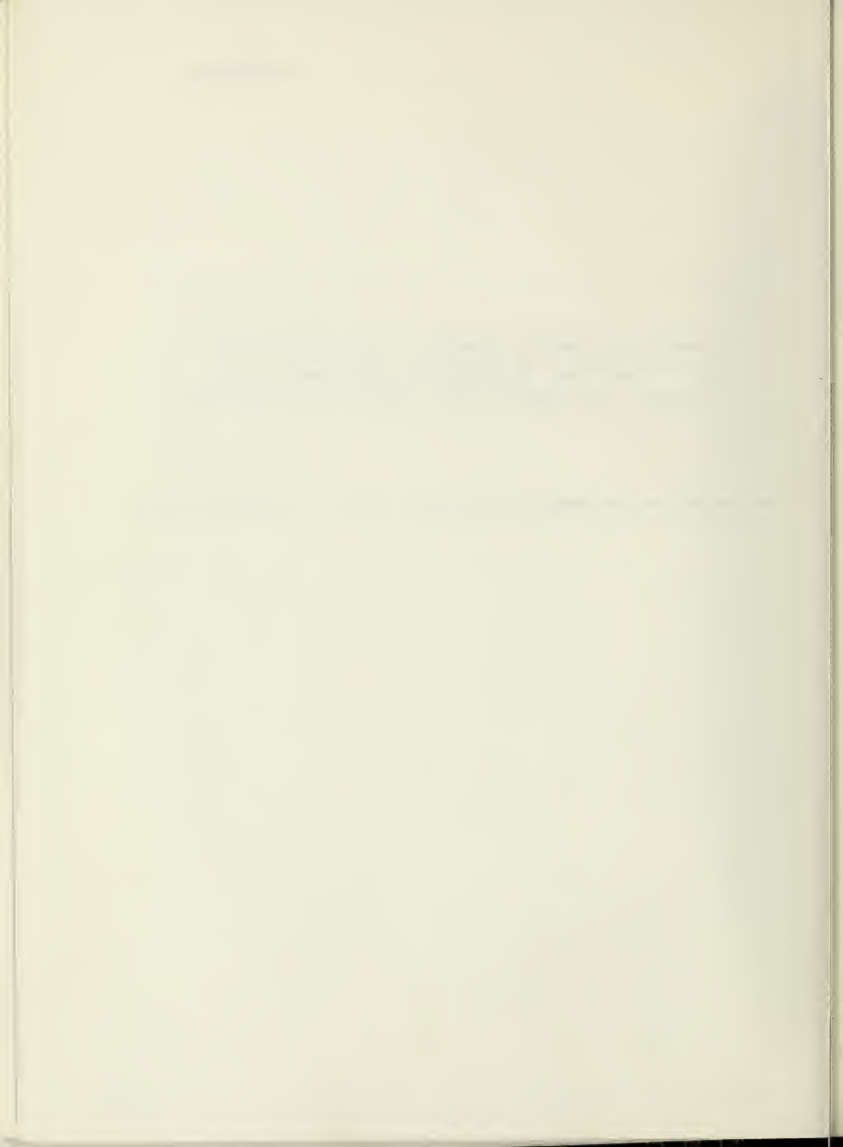
- A) THE TREASURER'S OFFICE AND THE TAX COLLECTOR'S OFFICE HAVE RESPONDED WITH ONE REPORT FOR BOTH OFFICES.
  - B) THE SHERIFF'S DEPARTMENT HAS TWO REPORTING UNITS FOR THE PURPOSES OF THIS REPORT - THE FOOD SERVICES PROGRAM AS WELL AS THE OTHER REGULAR PERSONAL SERVICES CONTRACTS.
- THEREFORE, THE NUMBER OF REPORTING UNITS FOR THE REPORT WILL REMAIN AT 36.





SURVEY OF MINORITY, WOMEN AND LOCAL ENTREPRENEURS  
ON THE BONDING, INSURANCE AND FEES REQUIRED TO  
CONTRACT WITH THE CITY AND COUNTY OF SAN FRANCISCO

A SUMMARY OF THE RESPONSES RECEIVED FROM 201 BUSINESS OWNERS



SUMMARY: SURVEY OF MINORITY, WOMEN AND LOCAL ENTREPRENEURS ON THE  
BONDING, INSURANCE AND FEES REQUIRED TO CONTRACT WITH THE  
CITY AND COUNTY OF SAN FRANCISCO.

TOTAL RETURNS - 201

1. Type of Business:

	<u>Local</u>	<u>Non-Local</u>	<u>Total</u>
Minority Male	58	59	117
Minority Female	24	11	35
White Female	29	19	48
TOTAL	111	89	200

No Answer = 1

Note: There were no responses from local businesses which were  
not minority or woman-owned.

2. Are you registered with the San Francisco Human Rights Commission?

Yes	- 174
No	- 17
Don't know	- 4
No answer	- 6

3a. Has your firm ever submitted a bid or proposal to a department/agency  
of San Francisco?

Yes	- 110	
No	- 87	
Other	- 1	(Worked only as a subcontractor, not
No answer	- 3	the prime.)

3b. Has your firm ever been awarded a contract by a department/agency of  
San Francisco?

Yes	- 64	
No	- 129	
Other	- 2	(Awarded contract only as a subcontractor;
No answer	- 6	therefore, no bonding required.)
		(Award is pending.)

4. There were 59 respondents (of the 64 who had received City contracts) who  
provided details on their experiences:

Twenty-two firms had received more than one contract. The dollar amount  
of the contracts received ranged from a low of \$170 to a high of \$1,300,000.

THE UNIVERSITY OF CHICAGO  
LIBRARY

100 EAST 57TH STREET  
CHICAGO, ILL. 60637

THE UNIVERSITY OF CHICAGO PRESS

54 EAST 57TH STREET, CHICAGO, ILL. 60637

CHICAGO, ILL.

THE UNIVERSITY OF CHICAGO PRESS

54 EAST 57TH STREET, CHICAGO, ILL. 60637

THE UNIVERSITY OF CHICAGO PRESS

54 EAST 57TH STREET, CHICAGO, ILL. 60637

THE UNIVERSITY OF CHICAGO PRESS

54 EAST 57TH STREET, CHICAGO, ILL. 60637

4. (continued)

<u>Contract</u>	<u># of Firms</u>
\$170-\$19,999	68
\$20,000-\$49,999	17
\$50,000-\$99,999	9
\$100,000-\$499,999	20
\$500,000-\$999,999	4
\$1,000,000-\$1,300,000	1

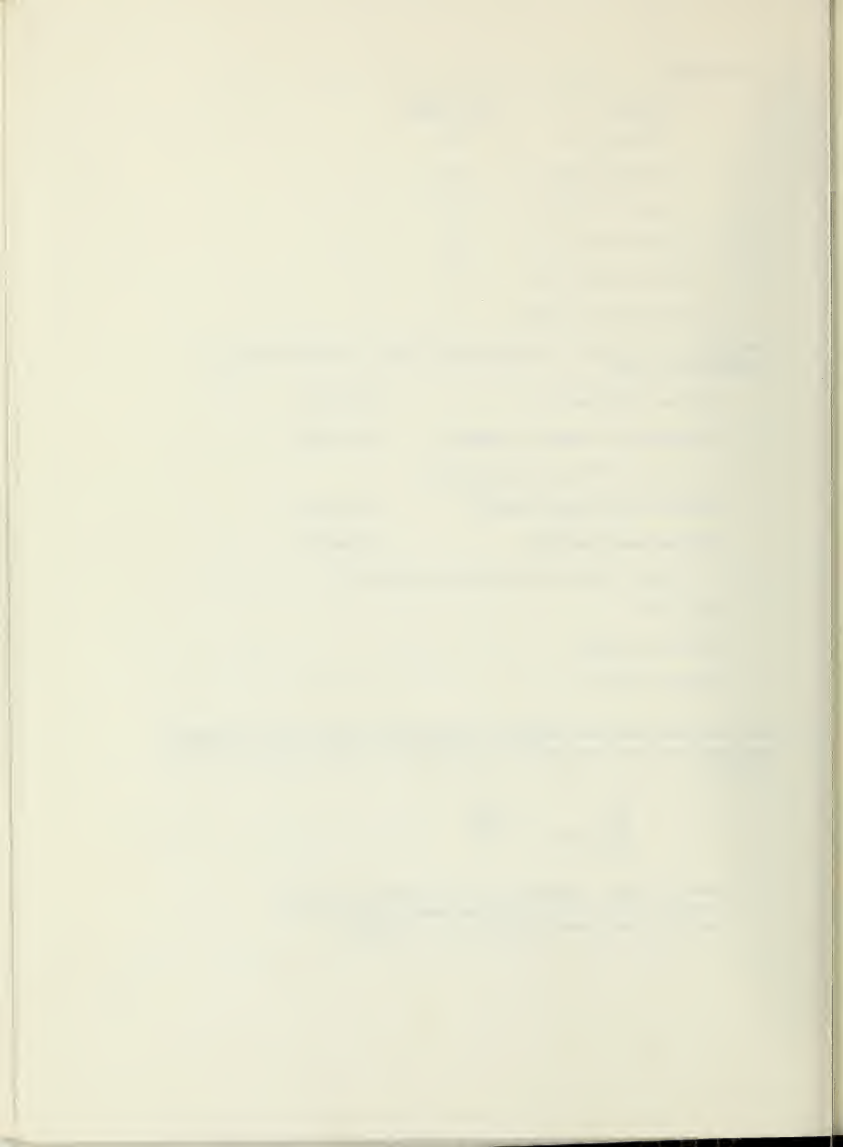
The most often required insurance and bonds, as reported by these respondents, were:

Workers Compensation	\$1,000,000
Comprehensive General Liability	\$1,000,000
(Other: \$500,000; \$2,000,000)	
Comprehensive Auto Liability	\$1,000,000
Professional Liability	\$1,000,000
(Other: \$300,000; \$500,000; \$2,000,000)	
Bid Bond	
Performance Bond	
Fidelity Bond	

5. Has your firm ever been awarded a bid/contract but, due to problems in meeting bonding/insurance/fee requirements, you had to forfeit or not accept?

Yes	- 8
No	- 185*
No Answer	- 7
N/A	- 1

\*Several people responded that they did not bid on a contract because they knew they would have problems securing the necessary insurance or bonding.



6. Has your firm ever had a contract with a public agency other than San Francisco where an alternative approach to bonding/insurance/fee was used?

Yes	- 23
No	- 167
Other	- 3
No answer	- 6
N/A	- 2

7. Do you believe MBEs, WBEs, and SBEs have a problem in obtaining required bonding, insurance and fees?

Yes	- 99
No	- 52
Don't know	- 22
No experience	- 9
No answer	- 8
N/A	- 4
Other	- 7

8. Would you be willing to participate in a problem-solving meeting? \*\*

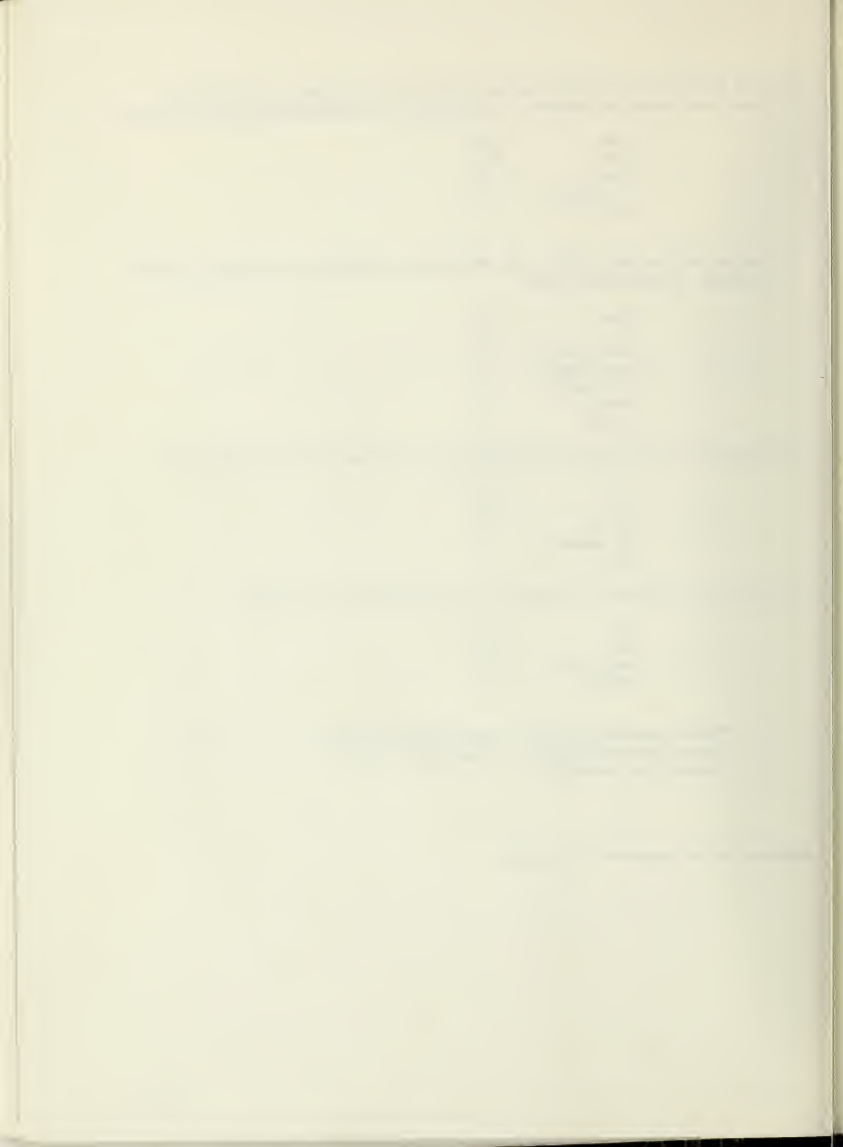
Yes	- 111 **
No	- 80
Other	- 1
No answer	- 8
N/A	- 1

9. Would you be willing to participate in a follow-up interview?

Yes	- 150 **
No	- 38
No answer	- 10
Other	- 3

\*\*Those responding "yes" to these questions were identified as potential participants in the focus group sessions.

SUMMARY OF THE ANALYSIS IS ATTACHED.





SUMMARY OF RESPONSES TO SURVEY QUESTIONS  
#5 - #7  
FROM SURVEY OF MINORITY, WOMEN AND LOCAL ENTREPRENEURS  
ON THE BONDING, INSURANCE, AND FEES REQUIRED  
TO CONTRACT WITH THE CITY AND COUNTY OF SAN FRANCISCO

Of those responding to the question on forfeiture or inability to accept contract awards (item #5), only 4 per cent had either experienced or anticipated such problems. The large majority answered in the negative, and data derived from responses to other questions suggest that many have not even competed for contracts precisely because of difficulties with bonding and insurance.

Of those responding to the question on alternative approaches (item #6), less than 10 per cent have had any experience with different ways of meeting requirements.

Alternative approaches to insurance included: reductions in coverage or premiums; waivers of the insurance requirements; insurance coverage by the public agency; and insurance coverage by the prime contractor.

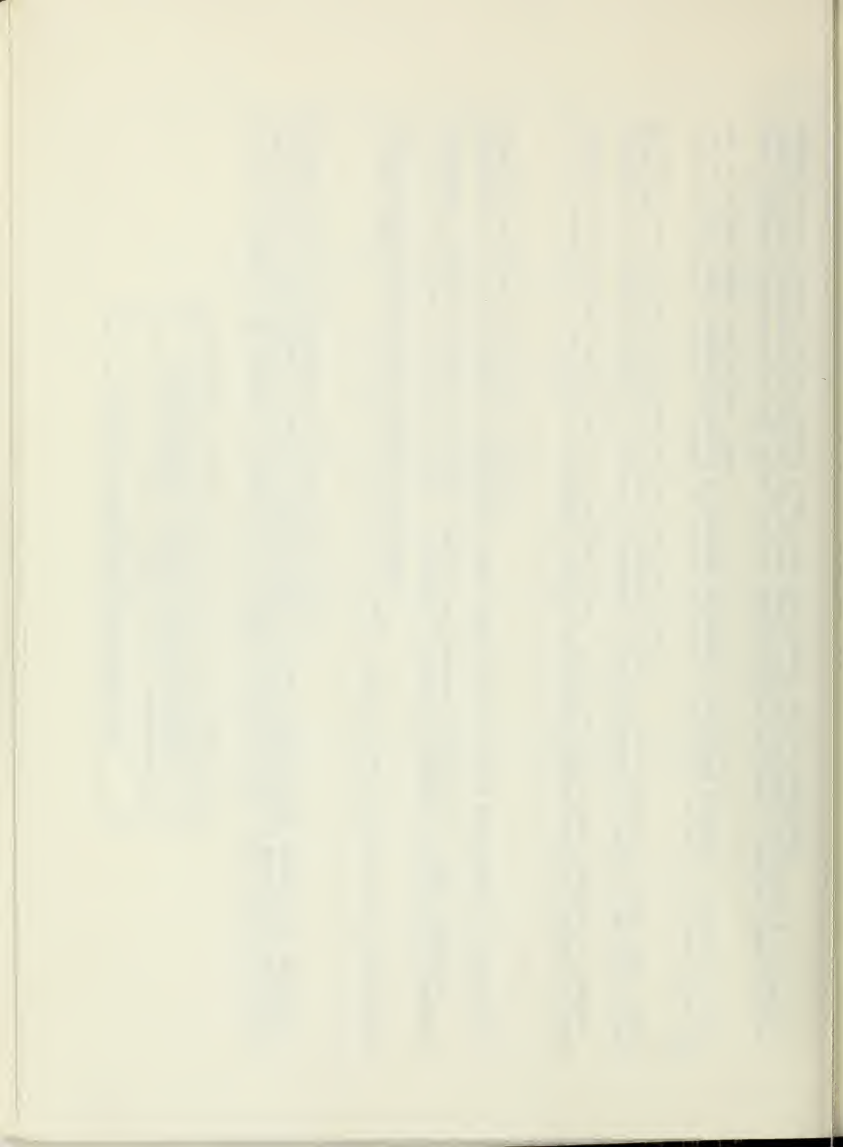
Alternatives to bonding included: reductions in bonds; waivers of the bonding requirements; assumption of the bonding requirement by a prime contractor.

Of those responding to the question on M/W/SBEs' problems in obtaining required bonding, insurance and fees (item #7), nearly 36 per cent reflected no problems at all. But 65 per cent offered examples of problems.

Problems with insurance included: high cost of premiums (often approaching the amount of the profit to be gained under a contract); refusals by insurance companies to cover firms; reluctance to cover firms; extreme difficulty even in securing information from insurance companies.

Problems with bonding included: refusals by bonding companies to bond firms; reluctant to bond firms; high cost of bonding fees; extreme difficulty in securing information; burdensome paperwork; differential treatment as between larger and smaller firms.

Other problems cited were those with banks; with the undercapitalization common to smaller firms; with the "Catch-22 cycle" which makes it difficult to achieve growth; with the difficulty in marketing services in competition with larger, better-financed firms; with "The System" and its complexity.



COMPOSITE OF RESPONSES TO SURVEY QUESTION #5 (WITH SELECTED COMMENTS)

Has your firm ever been awarded a bid/contract but, due to problems in meeting the bonding/insurance/fee requirements, you had to forfeit or not accept the contract?

No = 185

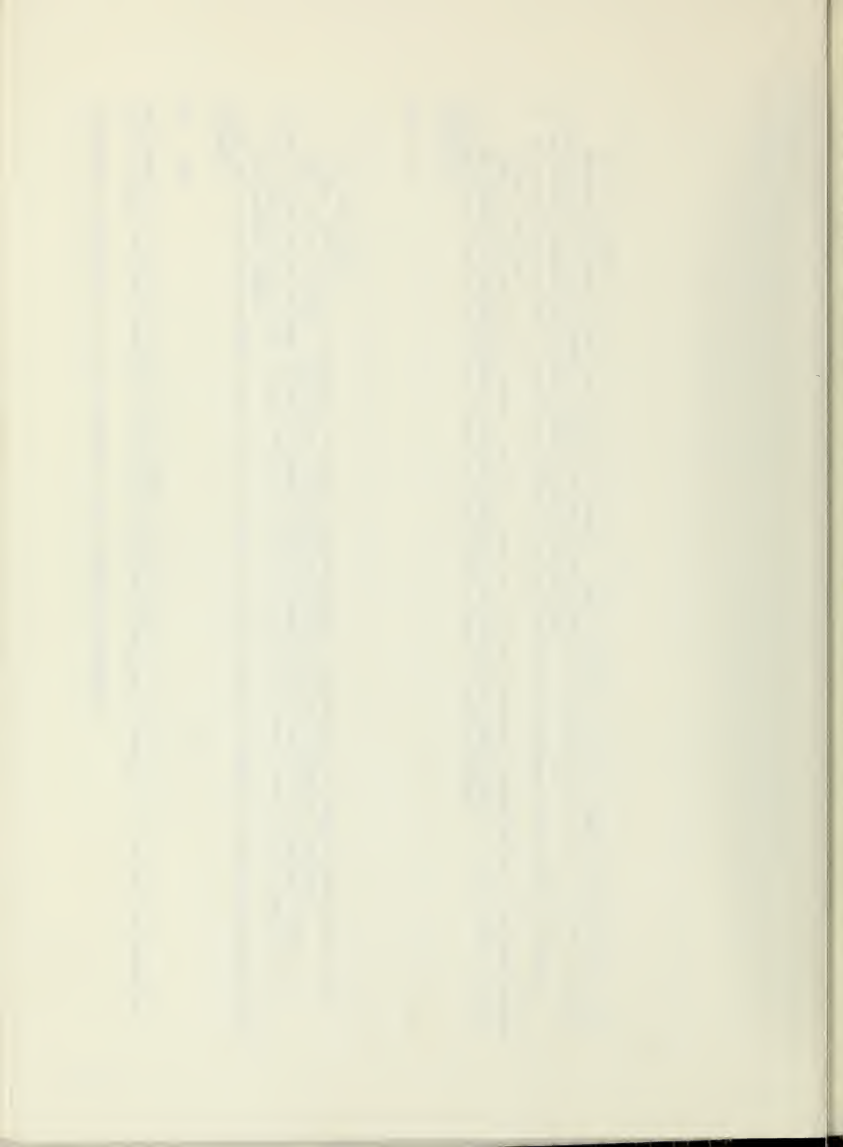
Comments:

- \* We have been asked numerous times if we are bonded. We feel that our negative response has been bad for our business image.
- \* There have been many jobs we have passed up because of the bonding and insurance requirements.
- \* Our participation in most projects is small, and the demands of the insurance premiums are much too high for us to carry. Our fee for a job could be \$12,000, yet the premium is \$10,000!!!!
- \* I believe that I will be affected in meeting the insurance requirements for pending proposals in the next few months.

Yes = 8

Comments:

- \* The building was in (city) and needed a \$150,000 bond which I could not afford.
- \* I was unable to accept because I was not successful in securing a fidelity bond. I also lost a \$1,000 deposit and time/energy because I couldn't come up with the necessary bonding after I had been awarded a city contract.
- \* Our firm could not meet the required project liability insurance requirements set forth by (agency).
- \* Adjustments were made by (named person) as to the bonding.
- \* Merchandise was drop-shipped. Vendors suddenly double-shipped or DID NOT ship at all. Agency took dis-counts PAST dates allowed and delayed payments. Vendor refused to ship. Agency ordered pay-off, but it was avoided.



# COMPOSITE OF RESPONSES TO SURVEY QUESTION #6 (WITH SELECTED COMMENTS)

Has your firm ever had a contract with a public agency other than the City and County of San Francisco, where an alternative approach to bonding, insurance, or fee requirements was used? If yes, what was the alternative approach, and did you feel it was helpful?

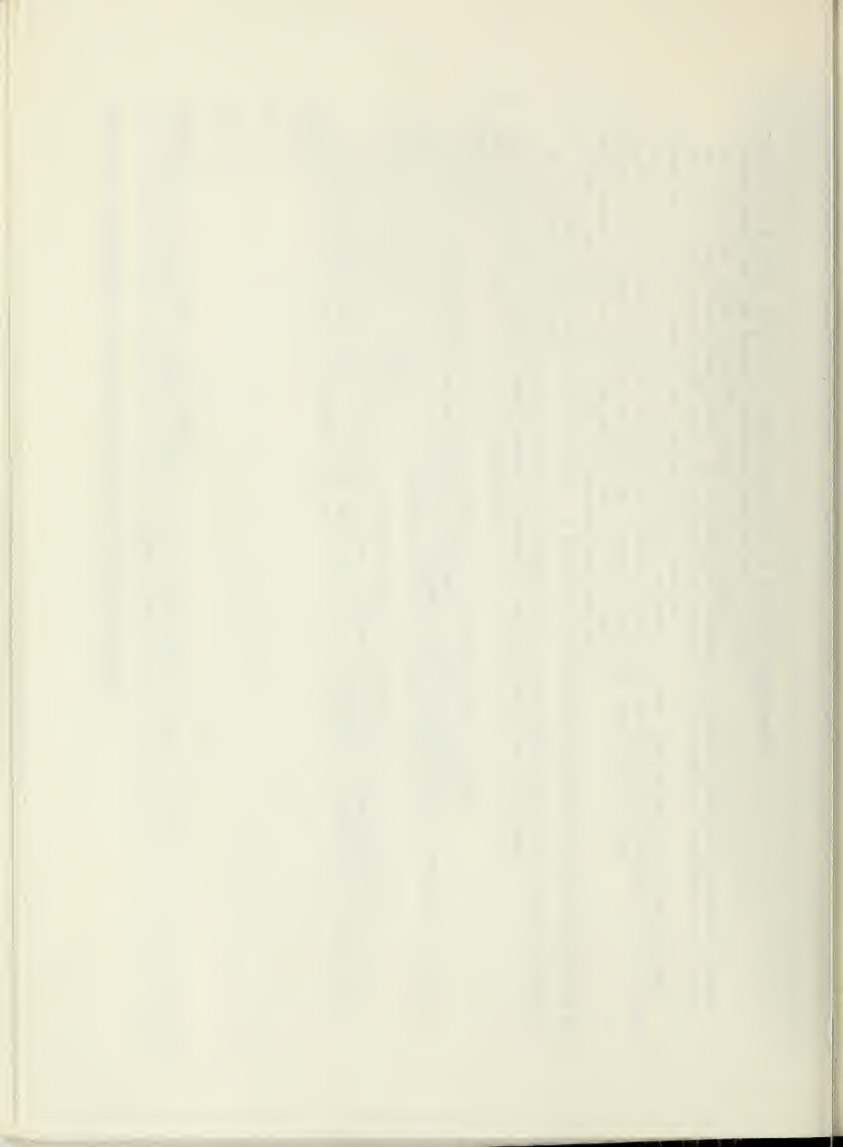
No = 167

Yes = 23

## Comments:

- \* City assisted in paying for insurance premium.
- \* We worked on the (name) project. The city demanded we carry \$10,000,000 insurance policy. We couldn't afford the premium, so the contractor had to pay it for us; otherwise, we would have lost the job.
- \* The public agency carried the insurance assuming construction management for our projects.
- \* No bond requirements, 1980-1981.
- \* (Name) County requested a rider to our insurance policy to increase our limit.
- \* (Public entity) retains 10% of the construction documents and construction support portions of the fee in lieu of requiring professional liability insurance. We don't like this.
- \* Additional insurance listing the client as insured on the policy was sufficient.
- \* Bidding low.
- \* Was awarded a contract, but did not need bond.
- \* They cancelled the need for bond because it prevented most MBE companies from bidding.
- \* The general contractor waived the bond on our company, and it was helpful using a joint check arrangement to the material company.
- \* U.S. Government and (three named) Counties. A government representative came to the shop and checked for space and employees. No bonding or insurance was required.
- \* Hourly rates. Lump sum fee. No bonding or insurance necessary.
- \* Bidding on a two-year contract and using the bonding capacity for one year at a time.
- \* Several public agencies did not require auto insurance over \$200,000-300,000 for contracts under \$50,000. This alleviates some financial strain on smaller contracts because the one-million dollar coverage requires a special umbrella and can be quite expensive.
- \* There have been instances when an agency required substantially higher insurance coverage than normally carried by small consultant firms. In one specific instance, the agency paid the insurance premium to provide the higher coverage for that project (only).
- \* (Company name) was the general contractor and was very helpful.
- \* The city to pick up the cost of higher insurance or bonding requirements.

No answer checked, but following comment: An alternative approach is for the end user to cut the check to the supplier in partials. Last partial, distributor takes profit and mails remainder to supplier.



COMPOSITE OF RESPONSES TO SURVEY QUESTION #7 (WITH SELECTED COMMENTS)

Do you believe MBEs, WBEs and SBEs have problems in obtaining required bonding, insurance and fees?

No = 52

Comments:

\* Our firm has engaged in major contracts for 25 years without any problems regarding same.

Yes = 99

Comments:

\* We have contacted three insurance companies that say they will get us information. They do not call us back. They ask us to send information. They say "yes," but no action is forthcoming.

\* Major reason why we have not attempted to submit proposal bids for government-related contracts.

\* Bonding is the major stumbling block in our way. Our company's size is dictated by it, because we cannot bid a job past our bondability. In that we have to bid small jobs, we cannot generate the necessary capital to expand to larger jobs. Banks will not deal with us in establishing a line of credit because of the lack of capital, and general contractors will not accept our bids not only because we usually cannot get the bond, but also because the premium cost is greater. Therefore, it makes dealing with minority firms more expensive. I hope in the near future that an alternate approach will be developed. While I feel that there is a problem, I am also very aware that for everyone's interest, it is very necessary that bonding companies be cautious.

\* The limits are very high; i.e., fee may be \$10,000 to \$15,000, and insurance premium exceeds the fee (\$12,000 to \$15,000).

\* The demands on the amount of insurance are so high we can't afford the premium fees.

\* Most people are willing and capable, but financially unable to comply with the demands of the system.

\* Payable days for most agencies are excessive.

\* The size of the company is small. Need more business management skill and need more working capital to grow.

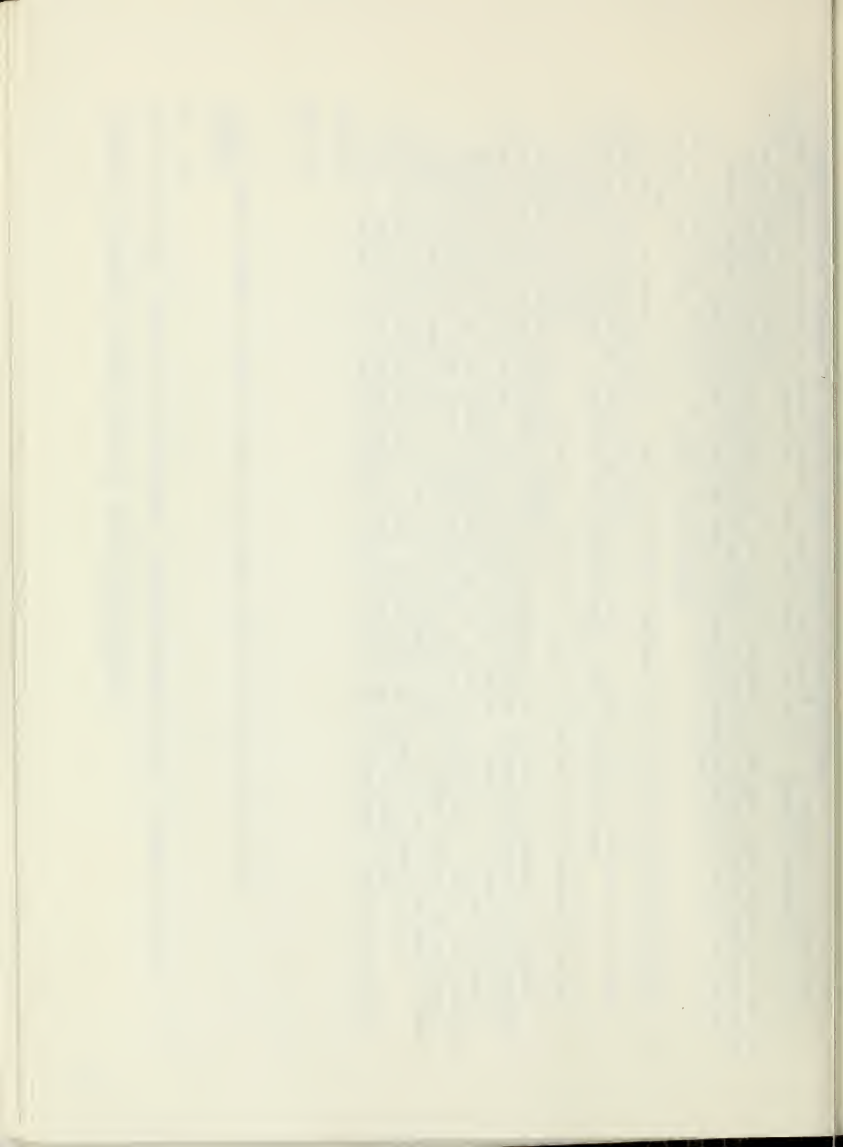
\* We had to pay \$4,000 just for a "deposit" for insurance.

\* We are encountering difficulty in obtaining professional liability insurance.

\* Most definitely! Usually we don't have the assets necessary to secure the required bonding, and bonding companies appear reluctant in doing business with MBEs. It takes many weeks to secure information as to how or where there is a possible market for the bonding necessary. Many MBEs cannot afford the time and or the monies to research.

\* Not enough time to establish themselves. Asset base usually too soft to indemnify personally.

\* Many insurance companies no longer insure a structural engineering firm. In addition, as a new firm I could only have insurance for \$100,000 from my carrier for the first year.



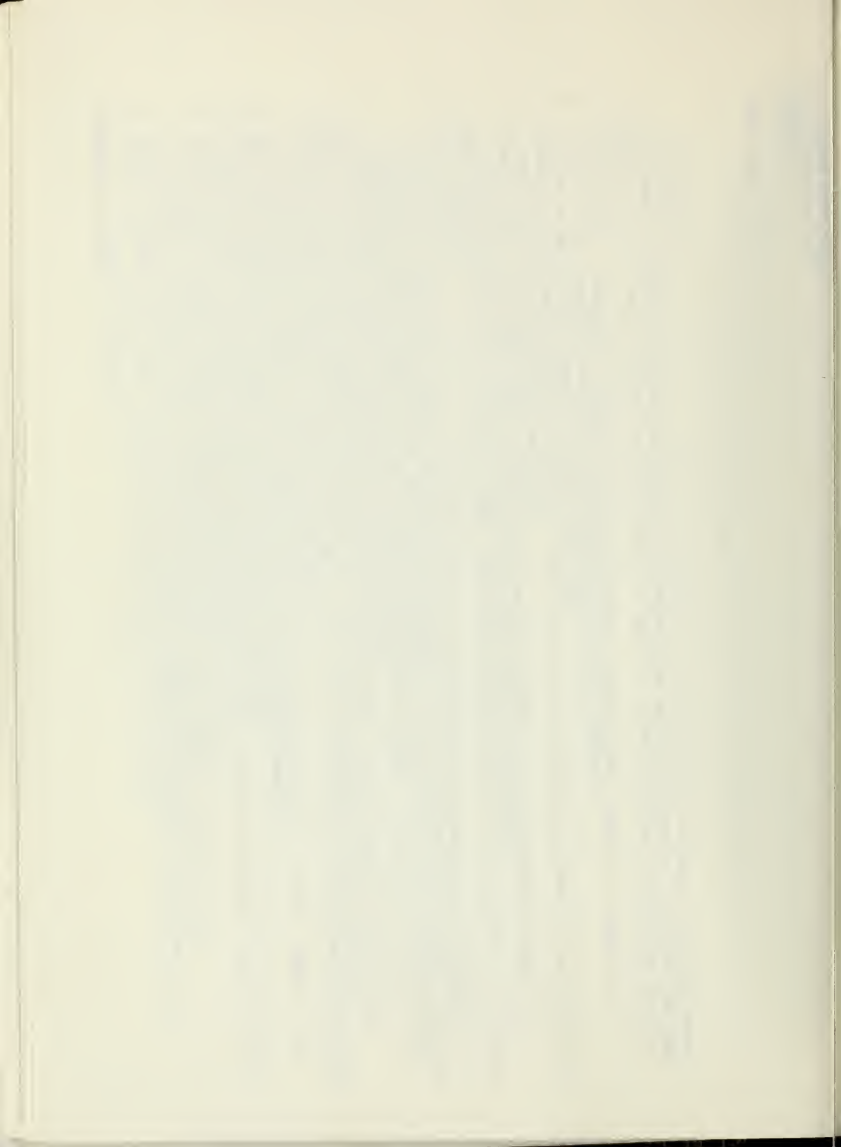


- \* Bonding companies don't want to bond minority companies for more than \$10,000.
- \* Bonding companies require so much collateral that a small business does not have. The paperwork is so voluminous, it is ridiculous. It is like going through a needle hole when applying for one.
- \* Banks require horrendous amounts of documentation and application details.
- \* I know they do, owing to lack of capital (be it their fault or not).
- \* I believe there is a significant problem with the purchasing office and officers regarding contract fee work.
- \* Problems probably arise from lack of capitalization and track record.
- \* Most small companies do not have sufficient capital to obtain bonding/insurance.
- \* It is very difficult for MBEs to get bonded because they do not have the financial backing. However, most MBEs do have the product or service and can perform.
- \* They usually don't have the financial capabilities to meet all of the requirements to participate successfully.
- \* All minorities have the same problem in bonding, etc. If a shop is qualified, it should get the bid.
- \* There is a problem with small businesses, etc. that require bonding. That main concern is money. Not enough working capital. No assets for bonding requirements.
- \* I am trying to obtain Errors & Omissions (Professional Liability) insurance. I have had one quotation: a premium of \$4,500/year for \$250,000, with a \$10,000 deductible. In trying other firms, I have been told either that they will not insure me because I am a structural engineer or because I do code work. HELP!!!!
- \* The Catch-22 cycle created by the establishment requires a concerted effort for any measure of success.
- \* It is expensive.
- \* Mostly problems arise due to the lack of funds. Some minority business owners go into the public sector with a useful product to sell, only to find difficulty in being accepted by the public.
- \* We do not have a long track record to convince the insurance company to cover our insurance needs. As a result, the insurance premium is very high.
- \* Primarily because they are small, not minority. Most run at a modest overhead which benefits the client, but hurts the MBE/SBE when excessive, one-time costs occur.
- \* Bonding -- yes. Generally we have not experienced difficulty with insurance.
- \* Credit history, networking, longevity, and cash flow are ALL valid problems of SBEs!! OF COURSE, it's a problem!!!
- \* Bonding is 12% for MBEs and SBEs, and that is too high, while the large contractors can get bonds for 1%. The coverage required for professional liability is excessive and extremely expensive. Our PL has just been increased to \$19,000 (premium). Perhaps the requirements on coverage could be reduced to \$250,000 instead of \$1,000,000.

Don't know = 22

Comments:

- \* We never had any.
- \* I have never tried.



LIST OF  
TECHNICAL ASSISTANCE ORGANIZATIONS  
PROVIDING SERVICES  
TO  
MINORITY AND WOMEN-OWNED BUSINESSES



TECHNICAL ASSISTANCE ORGANIZATIONS  
PROVIDING SERVICES TO MINORITY AND WOMEN OWNED BUSINESSES

AMERICAN INDIAN CENTER  
Chockie Cottier, Exec. Dir.  
225 Valencia St.  
San Francisco, CA 94103

ARRIBA JUNTOS  
Lee Soto  
2017 Mission St.  
San Francisco, CA 94103

ASIAN BUSINESS ALLIANCE  
749 Lincoln Ave.  
Alameda, CA 94501

ASIAN BUSINESS LEAGUE  
Landy Eng  
166 Geary, Suite 800  
San Francisco, CA 94102

ASIAN, INC.  
Wilson Chang  
1670 Pine St.  
San Francisco, CA 94109

BAY AREA URBAN LEAGUE  
Percy Steele, Pres.  
Kaiser Center Mall, Suite 211  
344 - 20th St.  
Oakland, CA 94612-2593

BUSINESS DEVELOPMENT, INC.  
Debra Norman  
1485 Bayshore Blvd.  
San Francisco, CA 94124

BLACK BUSINESS ASSOCIATION  
Gerald W. Johnson, Pres.  
1255 Post St., Suite 625  
San Francisco, CA 94109

CHINESE FOR AFFIRMATIVE ACTION  
Henry Der  
17 Brenham Place  
San Francisco, CA 94108

CHINATOWN RESOURCES DEVELOPMENT CENTER  
Chui Lim Tsang  
615 Grant Avenue, 4th Floor  
San Francisco, CA 94108

CALIFORNIA ASSOCIATION OF  
MINORITY AMERICAN CONTRACTORS  
670 Monterey Pass Road  
Monterey Park, CA 91754

DEVELOPMENT ASSOCIATES, INC.  
Steve Stripp  
Minority Business Development Center  
693 Sutter St., 3rd Floor  
San Francisco, CA 94102

FIL-AM EMPLOYMENT AND TRAINING CENTER  
2940 - 16th St.  
San Francisco, CA 94103

LOCAL INITIATIVE SUPPORT CORP.  
Henry Mestre  
21 Sutter St.  
San Francisco, CA 94104

MISSION ECONOMIC DEVELOPMENT ASSN.  
Robert Spintzer, Director  
Business Development Corp.  
987 Valencia St.  
San Francisco, CA 94110

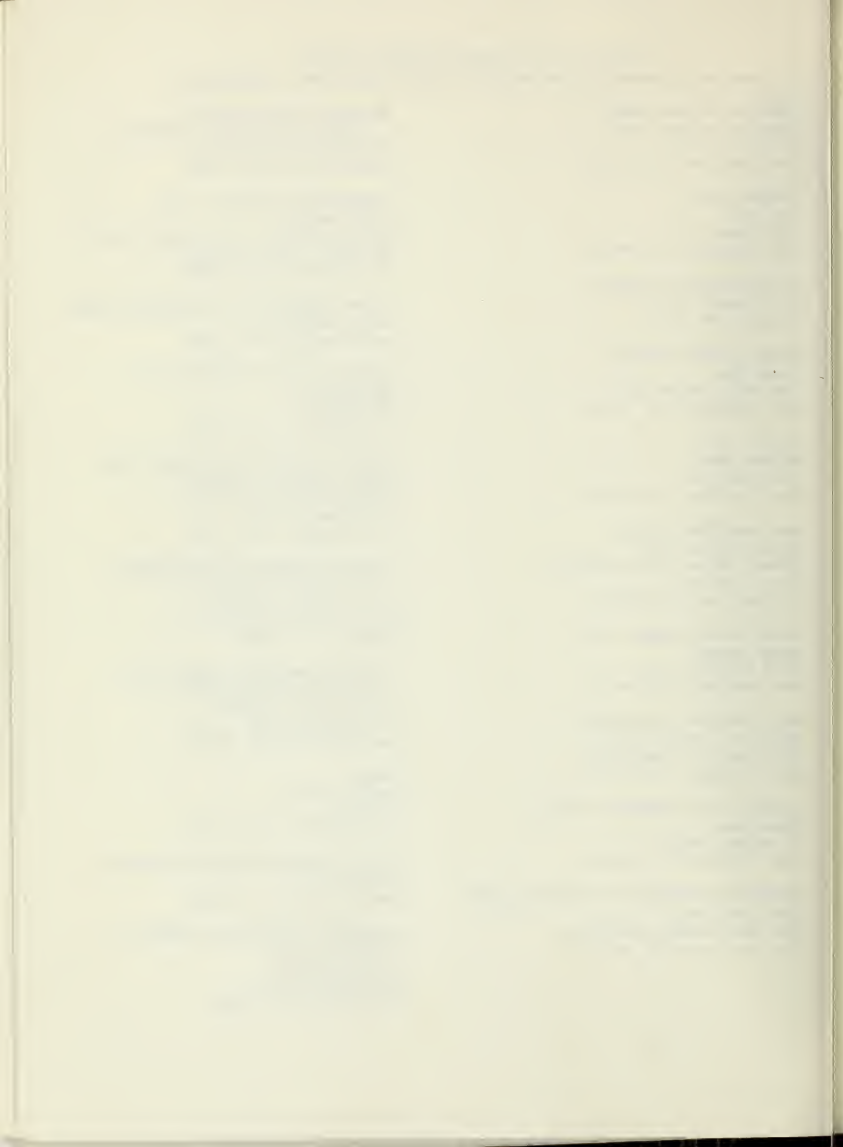
MINORITY CONTRACTORS ASSOCIATION  
OF NORTHERN CALIFORNIA  
Betty Berry, Director  
610 - 16th St., Suite 214  
Oakland, CA 94612

MINORITY CONTRACTORS ASSOCIATION  
OF NORTHERN CALIFORNIA  
Betty Berry, Director  
1613 Kirkwood Ave.  
San Francisco, CA 94124

MALDEF  
Joaquin Avila  
28 Geary  
San Francisco, CA 94108

MULTI SERVICES CENTER FOR KOREANS  
1362 Post St.  
San Francisco, CA 94109

NATIONAL ASSOCIATION OF WOMEN IN  
CONSTRUCTION  
Patricia Naki  
3198 Merced Court  
Santa Clara, CA 95051



# TECHNICAL ASSISTANCE ORGANIZATIONS

SAMOAN COMMUNITY COUNCIL  
2225 Mission St.  
San Francisco, CA 94110

SPANISH SPEAKING UNITY COUNCIL  
Mike Freedland  
1900 Fruitvale Ave.  
Oakland, CA 94601

UNITED JAPANESE COMMUNITY SERVICES  
2012 Pine St.  
San Francisco, CA 94115

URBAN ECONOMIC DEVELOPMENT CORP.  
Samuel Williams, Exec. Dir.  
2030 Divisadero  
San Francisco, CA 94115

WEST BAY FILIPINO MULTI-SERVICES CORP.  
335 Valencia St.  
San Francisco, CA 94103

SAN FRANCISCO BLACK CHAMBER OF COMMERCE  
Fred Jordan, Pres.  
111 New Montgomery St.  
San Francisco, CA 94105

NORTHERN CALIFORNIA BLACK CHAMBER  
OF COMMERCE  
Oscar Coffey, Jr., Pres.  
7700 Edgewater Drive  
Oakland, CA 94621

CHINESE CHAMBER OF COMMERCE  
730 Sacramento St.  
San Francisco, CA 94108

MEXICAN-AMERICAN CHAMBER OF COMMERCE -  
BAY AREA  
317 - 12th Ave.  
San Francisco, CA 94118

HISPANIC CHAMBER OF COMMERCE OF  
SANTA CLARA VALLEY  
85 Paseo de San Antonio, #200  
San Jose, CA 95113

WOMEN ENTREPRENEURS  
Anette Harris, Pres.  
385 Ivy St.  
San Francisco, CA 94102

ADVOCATES FOR WOMEN  
Barbara Woodard, Exec. Dir.  
25 Drumm St., Suite 300  
San Francisco, CA 94111

GOLDEN STATE BUSINESS LEAGUE  
Ellen Williams  
Wells Fargo Bldg., Suite 315  
333 Hegenberger Road  
Oakland, CA 94621

INSTITUTE FOR WOMEN AND ECONOMIC  
DEVELOPMENT  
1537 Webster St., Suite E  
Oakland, CA 94612

ORGANIZATION OF WOMEN ARCHITECTS  
AND DESIGN PROFESSIONALS  
C. B. Crump  
P.O. Box 26570  
San Francisco, CA 94126

SAN FRANCISCO WOMEN'S CENTER  
The Women's Building  
2543 - 18th St.  
San Francisco, CA 94110

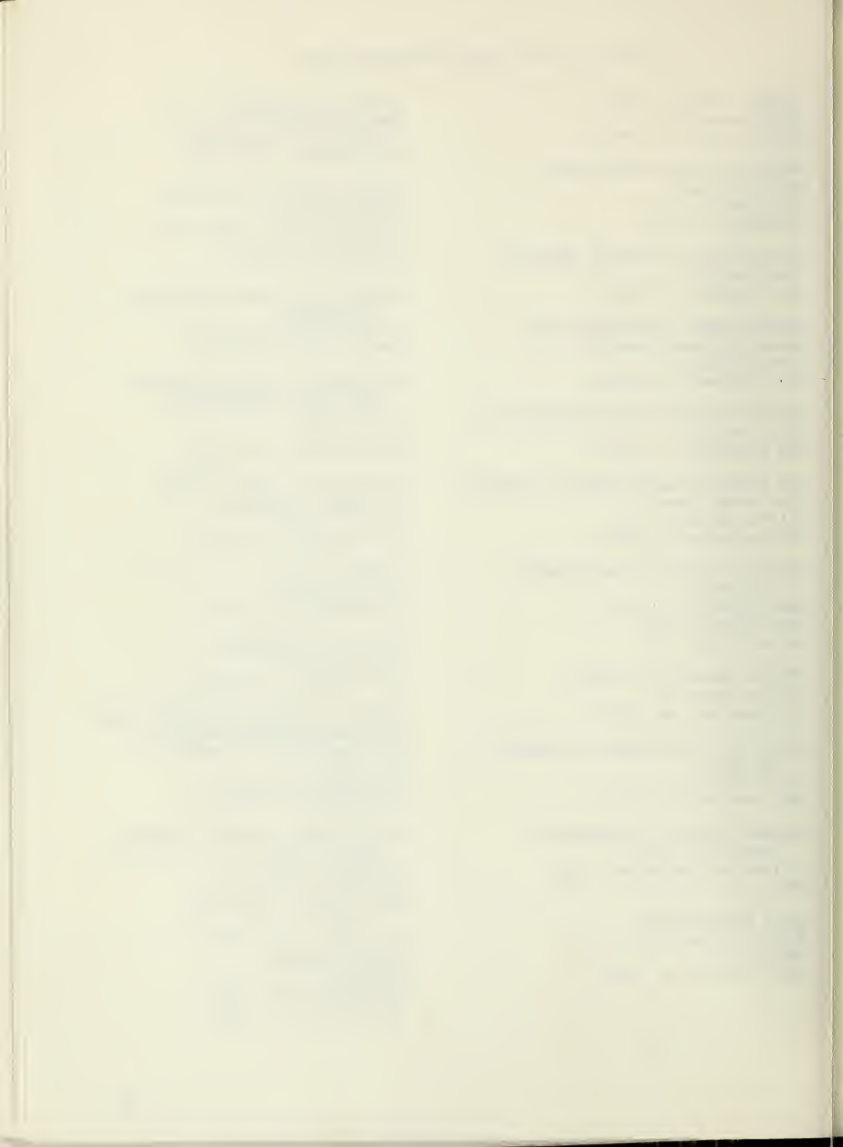
TRADESWOMEN, INC.  
P.O. Box 40664  
San Francisco, CA 94140

WOMEN IN APPRENTICESHIP  
693 Mission St.  
San Francisco, CA 94105

MINORITY BUSINESS DEVELOPMENT AGENCY  
Business Development Specialist  
U.S. Department of Commerce  
Box 36114  
450 Golden Gate Avenue  
San Francisco, CA 94102

PACIFIC INT'L. COMMERCE & PLANNING  
CORP. (MBDA)  
Ed Rivera, Exec. Dir.  
665 Grant Ave., 3rd Floor  
San Francisco, CA 94108

RMC GROUP, INC. (MBDA)  
Jose F. Placencia  
Building 9  
4701 Patrick Henry Drive  
Santa Clara, CA 95054





TECHNICAL ASSISTANCE ORGANIZATIONS

U.S. SMALL BUSINESS ADMINISTRATION

Carol G. Ferrant  
Business Development Specialist  
San Francisco District Office  
211 Main St.  
San Francisco, CA 94105

REGIONAL SMALL BUSINESS DEVELOPMENT CORP.

California Small Business Development  
Board  
Oakland, CA

MINORITY BUSINESS DEVELOPMENT CENTER -

SAN FRANCISCO/OAKLAND

Lester Roddy, Project Dir.  
1 California St., Suite 2100  
San Francisco, CA 94111

MINORITY BUSINESS DEVELOPMENT CENTER -

SAN FRANCISCO/OAKLAND

Duane K. Okamoto  
1 California St., Suite 2100  
San Francisco, CA 94111

MINORITY SMALL BUSINESS AND CAPITAL

OWNERSHIP DEVELOPMENT

R. Stephen Bangs, Asst. Administrator  
Regional Office  
450 Golden Gate Ave., Box 36044  
San Francisco, CA 94102

JAMES H. LOWRY & ASSOCIATES

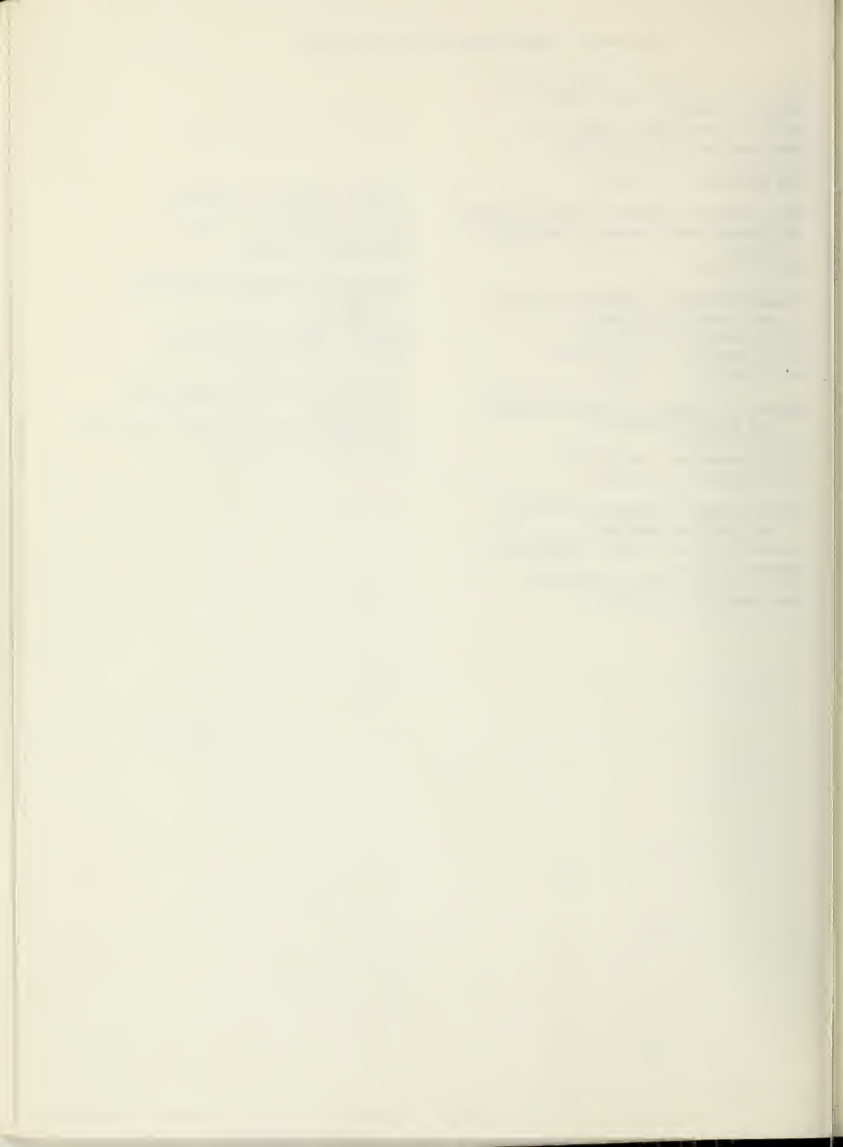
James H. Lowry  
303 E. Wacker Drive, #1340  
Chicago, IL 60601

MINORITY CONTRACTORS ASSISTANCE  
PROJECT

Sherman Brown, Pres.  
89-50 - 164th St., Suite 2B  
Jamaica, NY 11432

MINORITY CONTRACTORS ASSISTANCE  
PROJECT

1346 Connecticut Ave., NW, Suite 520  
Washington, DC 20036



TECHNICAL ASSISTANCE ORGANIZATIONS

Additional Resources for Assistance

BAY AREA PURCHASING COUNCIL

JoAnn Black  
220 Bush Street  
San Francisco, CA 94104

INDEPENDENT INSURANCE AGENTS  
AND BROKERS OF CALIFORNIA

465 California Street  
San Francisco, CA 94104

INSURANCE EDUCATIONAL ASSOCIATION

300 Montgomery Street  
San Francisco, CA 94104

PROFESSIONAL INSURANCE AGENTS,  
CALIFORNIA/NEVADA

Patrick J. Kelly, President  
Tarantino & Kelly Insurance Service  
1952 Lombard Street  
San Francisco, CA 94123

MINORITY BUSINESS DEVELOPMENT PROJECT

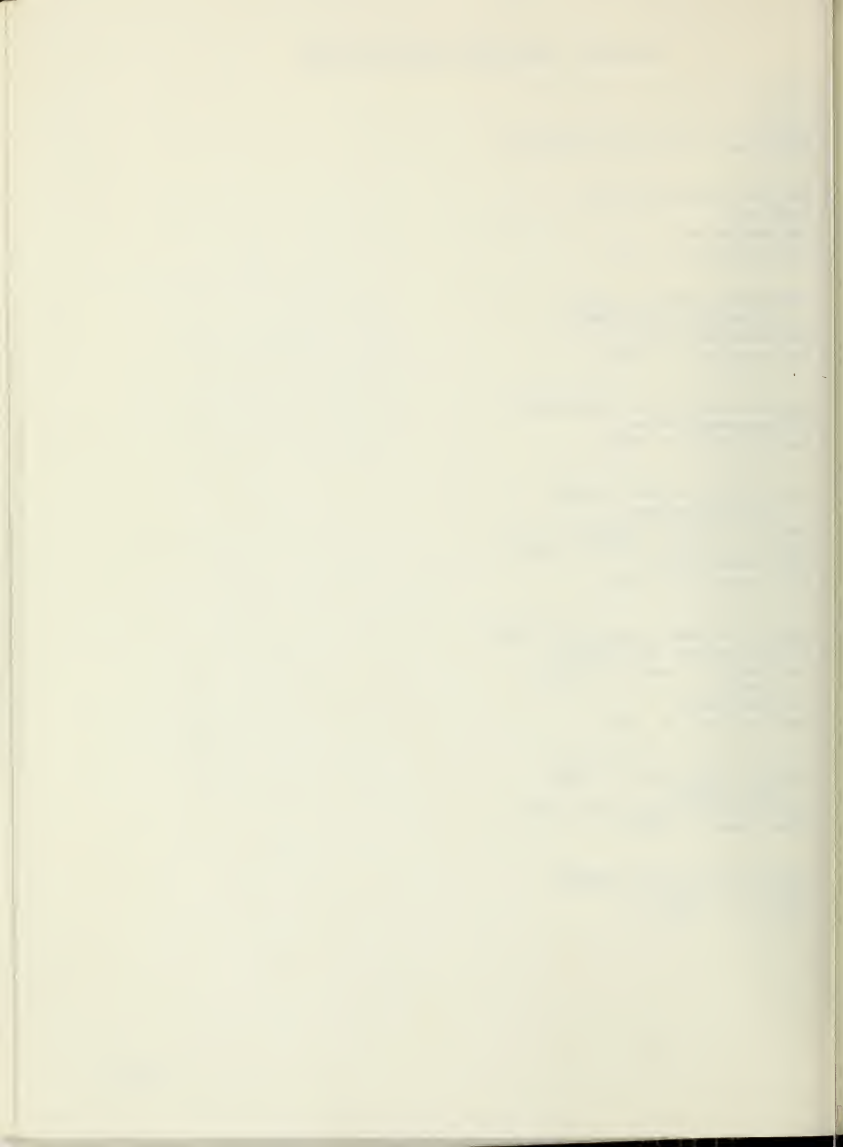
Dr. Willis Kirk, Coordinator  
San Francisco Community College  
District  
33 Gough Street  
San Francisco, CA 94103

NATIONAL ASSOCIATION OF SURETY  
BOND PRODUCERS

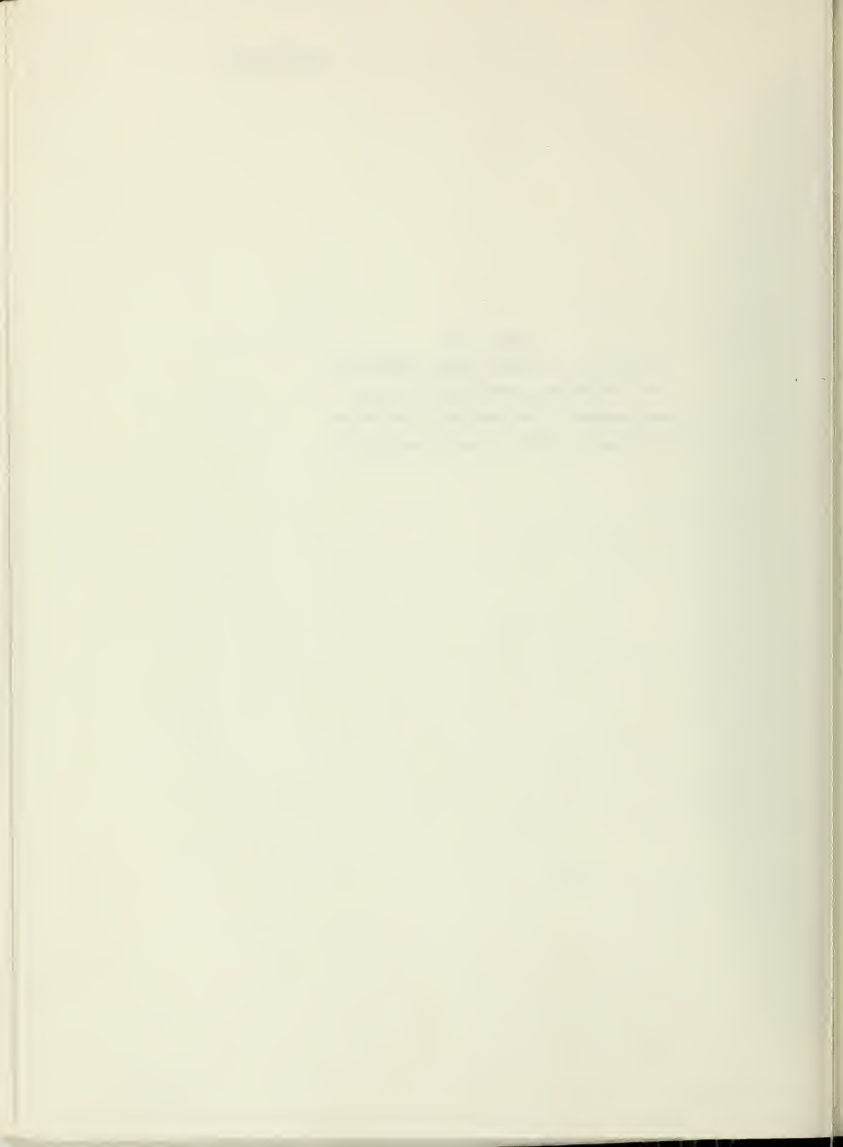
5454 Wisconsin Avenue, Suite 1625  
Chevy Chase, MD 20815

SURETY ASSOCIATION OF AMERICA

100 Wood Avenue South  
Iselin, NJ 08830



LIST OF  
INVITEES TO FOCUS GROUP SESSIONS  
ON INSURANCE, BONDING AND FEE  
REQUIREMENTS FOR CONTRACTING WITH  
CITY AND COUNTY OF SAN FRANCISCO



INVITEES TO FOCUS GROUP SESSIONS\*  
ON INSURANCE, BONDING AND FEE  
REQUIREMENTS FOR CONTRACTING WITH  
CITY AND COUNTY OF SAN FRANCISCO

Small Business Entrepreneurs

\*Royce Dyer/Gwen Kaplan  
ACE MAILING  
San Francisco, CA

David Saldana  
ADVANCED CLEANING SYSTEMS  
San Francisco, CA

\*Leroy Albert/Christopher  
Albert  
ALBERT ELECTRIC COMPANY  
Oakland, CA

Etta Allen  
ALLEN HEATING & SHEET METAL  
Greenbrae, CA

Kenneth Iwagaki  
ALLIED ENGINEERING CO.  
San Jose, CA

Edward Baca  
EDWARD W. BACA  
Redwood City, CA

Darlene Jang  
BARCELONA & JANG  
San Francisco, CA

Edd R. Conley  
BIG EDD'S MAINTENANCE SERVICE  
Stockton, CA

Isabel Bradshaw  
BRADSHAW ARCHITECTS  
Oakland, CA

Raymond Brooks  
RAYMOND BROOKS ENGINEERING  
Foster City, CA

Edwin Cheung  
C & L CONSTRUCTION COMPANY  
San Francisco, CA

\*Jan Kernan  
CITY DIAGNOSTICS  
San Francisco, CA

\*Martin Del Campo  
DEL CAMPO & MARU  
San Francisco, CA

\*Renan G. Dominguez  
DOMINGUEZ ASSOCIATES  
South San Francisco, CA

James E. Leach  
EFFECTIVE SECURITY SERVICES  
Novato, CA

\*Carlos Leal  
EMPIRE M.B.E. OPERATIONS, INC.  
San Francisco, CA

L. Mark Sennette  
FAIRFAX ARCHITEX  
Oakland, CA

Faye Bernstein  
FAYE BERNSTEIN & ASSOCIATES  
San Francisco, CA

Gwen Henry  
GARRISON ROOFING AND CONSTRUCTION CO.  
San Francisco, CA

\*Ray N. Santos  
GOLDEN SHIELD BUILDING MAINTENANCE  
San Francisco, CA

Henry Wong  
HEW DRILLING CO., INC.  
Palo Alto, CA





INVITEES TO FOCUS GROUP SESSIONS\*

Andrew Jeanpierre  
JEANPIERRE & CO.  
San Francisco, CA

Keilani Tom  
KEILANI TOM DESIGN  
San Francisco, CA

Lucy Lacy  
LUCY'S SALES  
Oakland, CA

Ronald Omori  
MINATO ELECTRIC CORPORATION  
San Francisco, CA

\*Doris L. Mitchell-Woods  
MITCHELL HOME DECOR  
San Francisco, CA

\*A. Dominick  
OAKLAND OIL CO., INC.  
Oakland, CA

Walter L. Rainwater  
Tracy Buchanan  
OCEAN SPRAY PLASTERING CO.  
San Francisco, CA

Irwin Hamilton  
OCEAN VIEW UPHOLSTERY  
San Francisco, CA

Ed Malone  
OLIVER BROTHERS GLASS CO., INC.  
San Francisco, CA

\*Ruth Gordon  
PEGASUS ENGINEERING, INC.  
San Francisco, CA

Renato G. Martinez  
RGM ASSOCIATES  
Los Altos, CA

Louise Riswold  
LOUISE RISWOLD DESIGN  
San Francisco, CA

Antonio Ruiz  
A. RUIZ CONSTRUCTION  
San Francisco, CA

G. A. Saavedra  
SAAGAN MOVING & STORAGE CO.  
San Francisco, CA

Carolyn Smith  
SMITH'S ACTION MAINTENANCE CO.  
El Cerrito, CA

Raymond Coats  
SUPER CARPET CLEANING  
San Francisco, CA

Carol W. Chen  
SYSTECH ENGINEERING, INC.  
Lafayette, CA

Curtis Edwards/Gary Robbins  
URBAN ALTERNATIVES  
Berkeley, CA

\*Howard E. Harkness  
W & F BUILDING MAINTNENANCE CO.  
San Francisco, CA

John T. Warren  
J. WARREN & ASSOCIATES  
Oakland, CA

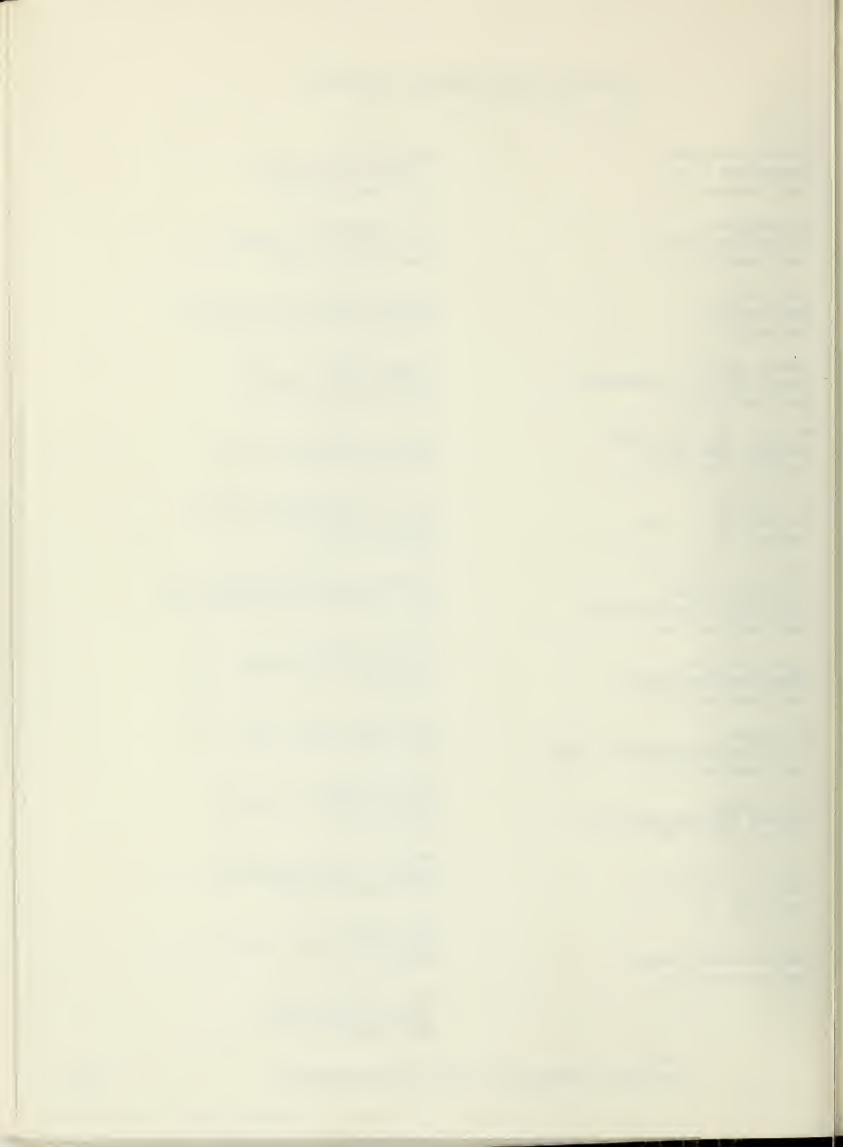
B. McBee  
WEST COAST SAFETY, INC.  
San Jose, CA

Robert Wilson  
WILSON ELECTRIC CO. INC.  
Oakland, CA

Robert B. Wong  
ROBERT B. WONG ARCHITECTS  
San Francisco, CA

Sam Yamato  
YAMATO ENGINEERING, INC.  
Oakland, CA

\*J. W. Shaffer, Jr.  
YOUNG PATROL SERVICE  
San Francisco, CA



INVITEES TO FOCUS GROUP SESSIONS\*

Technical Assistance - Organizations and Individuals

ASIAN, INC.  
Wilson Chang  
San Francisco, CA

BAY AREA URBAN LEAGUE  
Percy Steele, President  
Oakland, CA

BUSINESS DEVELOPMENT, INC.  
Debra Norman  
San Francisco, CA

BLACK BUSINESS ASSOCIATION  
Gerald W. Johnson, President  
San Francisco, CA

\*CHINESE FOR AFFIRMATIVE ACTION  
Henry Der/Eric Jue  
San Francisco, CA

Steve Stripp  
DEVELOPMENT ASSOCIATES INC.  
Minority Business Dev. Center  
San Francisco, CA

\*MISSION ECON DEVELOPMENT ASSN  
Business Development Corp.  
Robert Spintzer, Director  
San Francisco, CA

MINORITY CONTRACTORS ASSN OF  
NORTHERN CALIFORNIA  
Betty Berry, Director  
Oakland, CA

MALDEF  
Joaquin Avila  
San Francisco, CA

NATIONAL ASSN OF WOMEN IN CONSTRUCTION  
Patricia Naki  
Santa Clara, CA

SPANISH SPEAKING UNITY COUNCIL  
Mike Freedland  
Oakland, CA

URBAN ECONOMIC DEVELOPMENT CORP. (UEDC)  
Samuel Williams, Exec. Dir.  
San Francisco, CA

SAN FRANCISCO BLACK CHAMBER OF COMMERCE  
Fred Jordan, President  
San Francisco, CA

ORGANIZATION OF WOMEN ARCHITECTS & DESIGN  
PROFESSIONALS  
C. B. Crump  
San Francisco, CA

WOMEN ENTREPRENEURS  
Anette Harris, President  
San Francisco, CA

MINORITY BUSINESS DEVELOPMENT AGENCY  
Business Development Specialist  
U.S. Department of Commerce  
San Francisco, CA

PACIFIC INTL COMMERCE & PLANNING CORP.  
(MBDA)  
Ed Rivera, Exec. Dir.  
San Francisco, CA

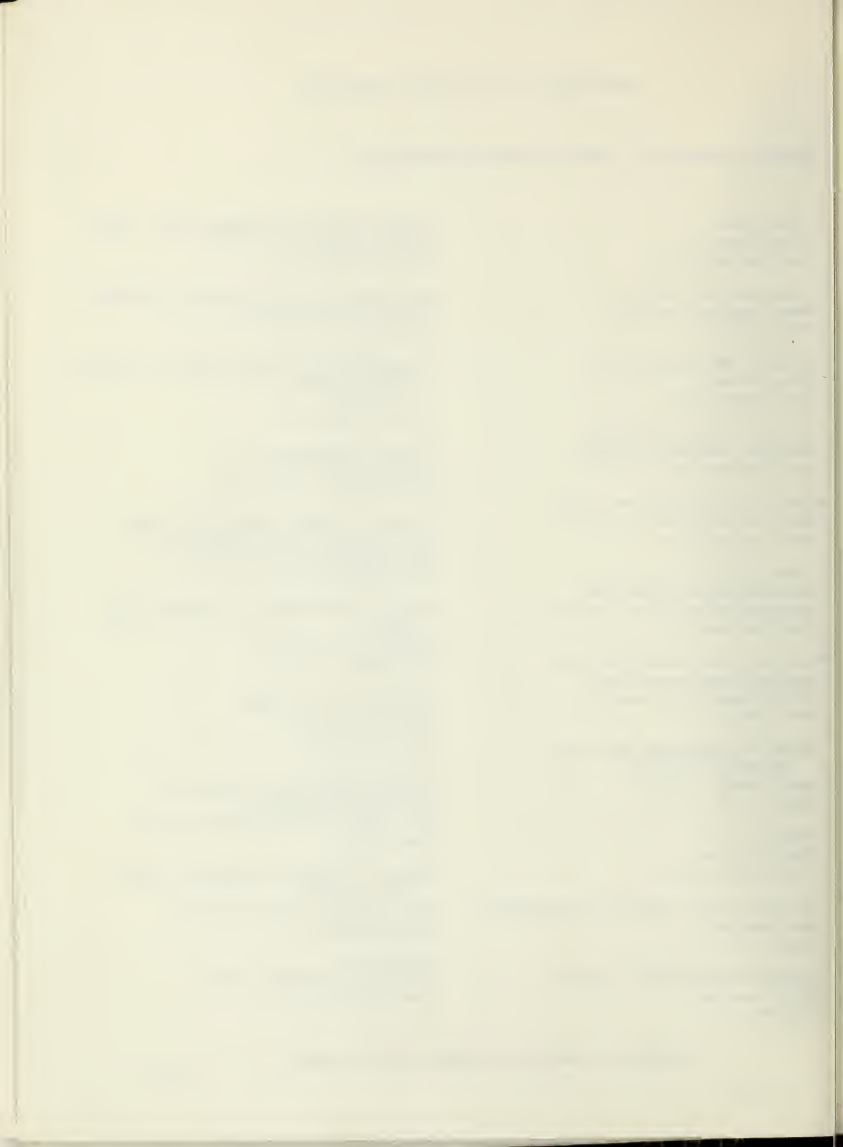
RMC GROUP, INC. (MBDA)  
Jose F. Placencia  
Santa Clara, CA

Carol G. Ferrant  
Business Development Specialist  
S.F. District Office  
U.S. Small Business Administration  
San Francisco, CA

MINORITY BUSINESS DEVELOPMENT CENTER  
S.F./OAKLAND

\*Lester Roddy, Project Director  
San Francisco, CA

JoAnn Black  
BAY AREA PURCHASING COUNCIL  
San Francisco, CA



INVITEES TO FOCUS GROUP SESSIONS\*

Insurance Industry

Don Henderson  
THE HARTFORD INSURANCE GROUP  
San Francisco, CA

Roger E. Lintlop  
RICHARD N. GOLDMAN & COMPANY  
San Francisco, CA

\*Paul Britto  
CALSTATE INSURANCE  
Oakland, CA

Jerry W. O'Kane/Dick Poppe  
INDEPENDENT INSURANCE AGENTS &  
BROKERS ASSOCIATION  
San Francisco, CA

DEALY RENTON AND ASSOCIATES  
Oakland, CA

Conway Judd  
GENERAL ACCIDENT INSURANCE CO.  
San Francisco, CA

Joseph Shakespeare  
AETNA LIFE INSURANCE & CASUALTY  
Walnut Creek, CA

Olivia Pugh  
(BSMC)  
Oakland, CA

\*James O'Roscoe  
AAMB INSURANCE AGENCY  
San Jose, CA

\*Roosevelt Carrie  
R. CARRIE AGENCY  
San Francisco, CA

\*Dave Crain  
EVERETT W. STARK & CO.  
San Francisco, CA

\*James Stark  
EVERETT W. STARK & CO.  
San Francisco, CA

\*Lynn Kagaki  
AETNA  
Walnut Creek, CA

\*Cliff Salwen  
CASEY & CO. INSURANCE BROKERS  
San Francisco, CA

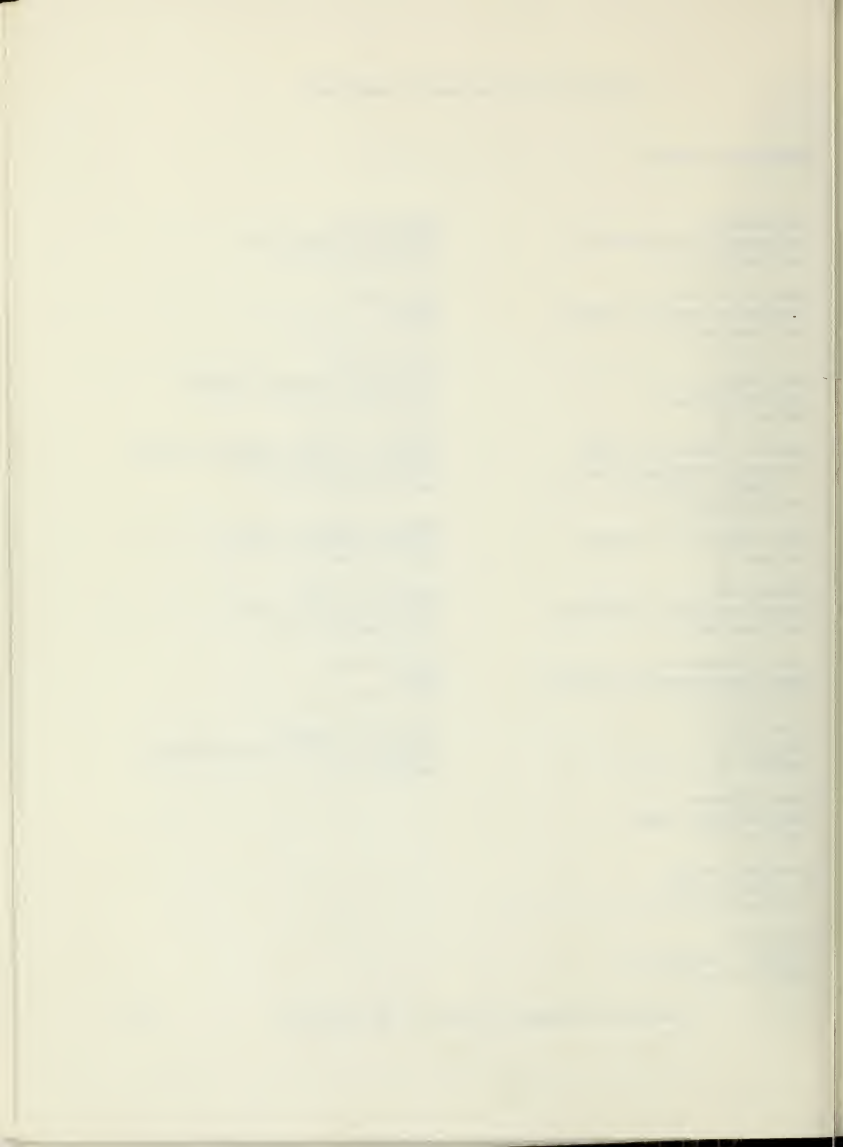
\*Patrick J. Kelly  
TARANTINO & KELLY INSURANCE SERVICE  
and PIA, Calif/Nevada  
San Francisco, CA

\*James E. Light  
HARTFORD INSURANCE GROUP  
San Francisco, CA

\*Stephen W. Grant  
HARTFORD INSURANCE GROUP  
San Francisco, CA

\*Dennis Penley  
AETNA  
Walnut Creek, CA

William H. Breeden  
PENINSULA EXCESS INSURANCE BROKERS  
Monterey, CA



INVITEES TO FOCUS GROUP SESSIONS\*

San Francisco Government

Keith Grand  
CITY RISK MANAGER  
San Francisco, CA

\*Gail Roberts  
HUMAN RIGHTS COMMISSION  
San Francisco, CA 94103

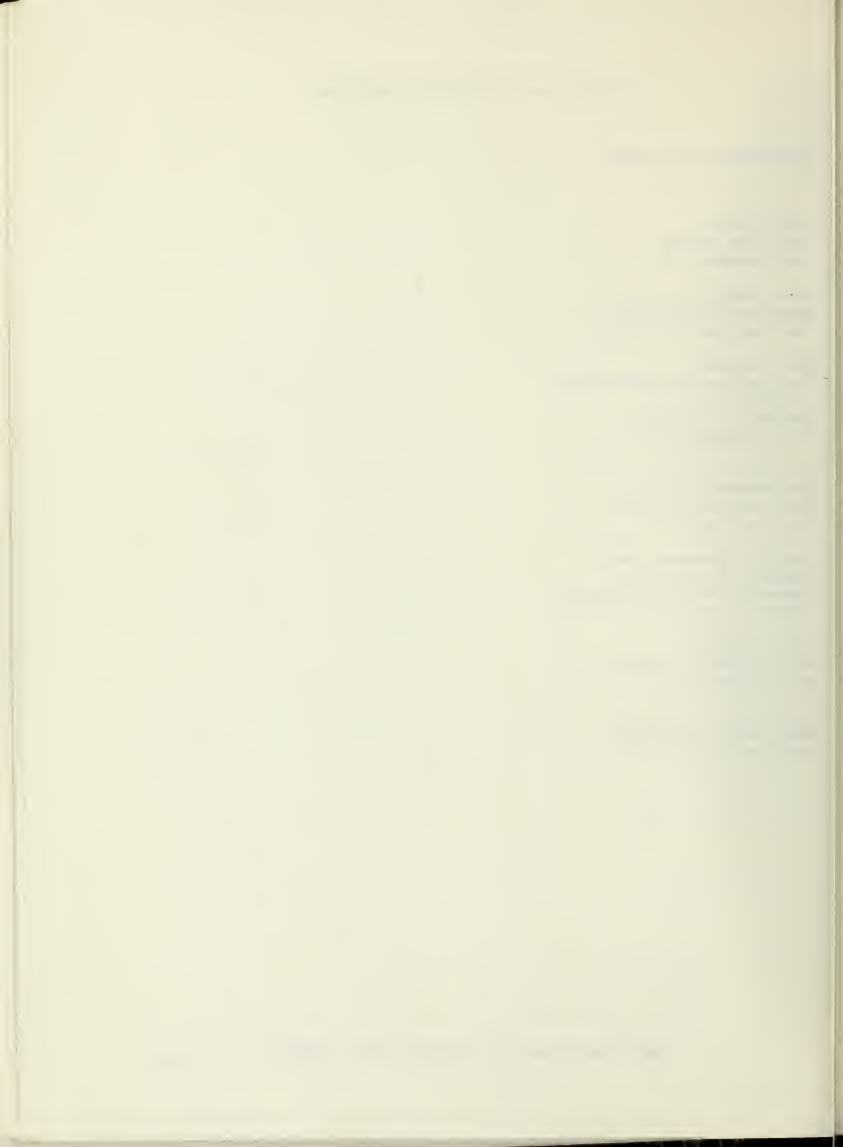
\*Bert Campbell  
Minority Business Development  
Program  
PURCHASING DEPARTMENT  
San Francisco, CA

Dr. Brenda Wade  
Chairperson  
HUMAN RIGHTS COMMISSION  
San Francisco, CA

David K. Yamakawa, Chair  
MBE/WBE/LBE Ordinance  
Community Advisory Committee  
San Francisco, CA

\*Frank Anderson  
HUMAN RIGHTS COMMISSION  
San Francisco, CA

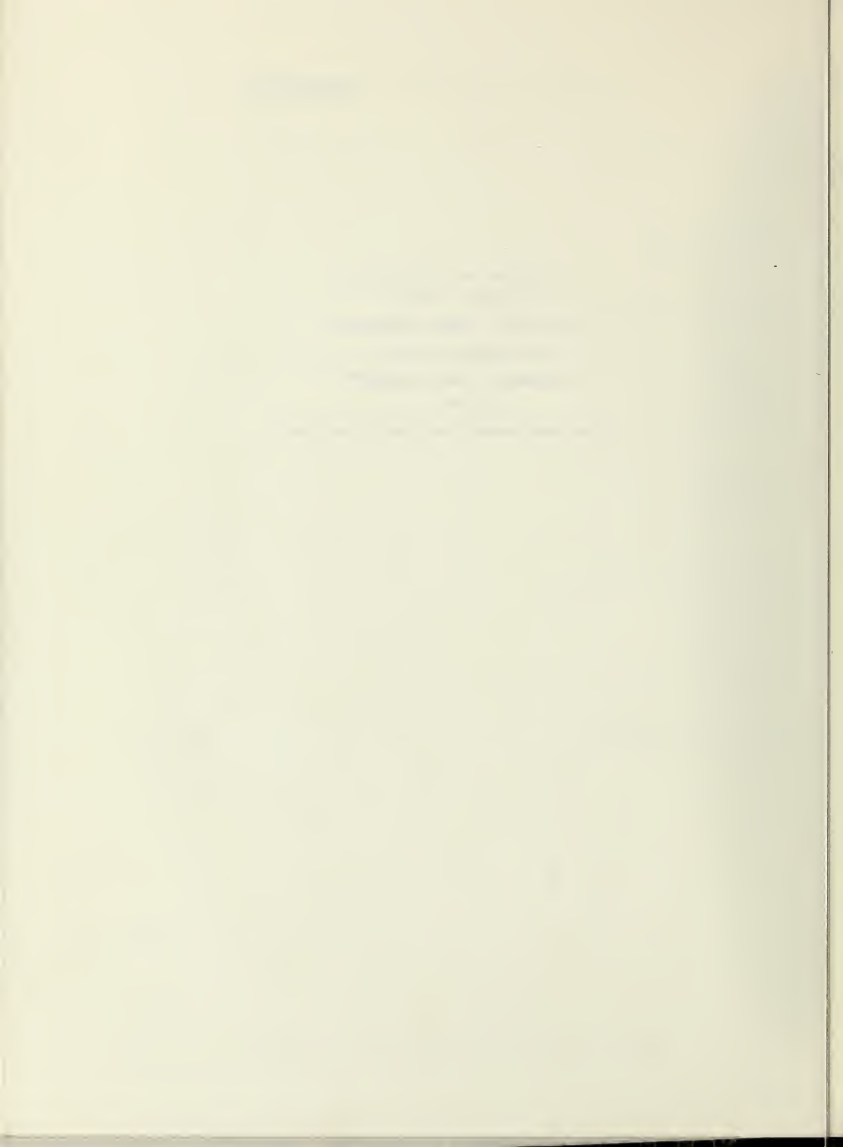
\*Grant Mickens, Director  
HUMAN RIGHTS COMMISSION  
San Francisco, CA





APPENDIX L.

LETTERS OF INVITATION  
AND REPLY FORM  
FOR FOCUS GROUP SESSIONS  
ON BONDING AND  
INSURANCE REQUIREMENTS  
FOR THE  
CITY AND COUNTY OF SAN FRANCISCO



**Aileen C. Hernandez Associates**

Urban Consultants

497 Fulton Avenue, San Francisco, CA 94102  
(415) 861-6434

Aileen C. Hernandez

Jacqueline Bradford  
Patsy G. Fulcher

Re: Workshop on Bonding and Insurance Requirements for City Contracting

The San Francisco Human Rights Commission has contracted with our firm, under Ordinance 139-84 (Minority/Women/Local Business Utilization Ordinance) to provide technical assistance to the Commission in the implementation of this new legislation.

As you are probably aware, the intent of the Ordinance is to maximize the equitable involvement of minority business enterprises (MBEs), women business enterprises (WBEs) and local business enterprises (LBEs) in City contracting. To facilitate this City policy, the Human Rights Commission has authorized a study of the bonding, insurance and fee requirements and practices related to doing business with the City and County of San Francisco.

A culmination of the study will be a focussed workshop designed to provide practical solutions to the problems that have been identified from a survey of MBEs, WBEs and other business people. Because of your concern with minority and women business development, we thought you might want to share your expertise on this subject. The proceedings of the workshop will be a part of the official study report.

You are invited to attend EITHER of two sections of a discussion on the subject, to be held in Room 1157 of the State Building, 350 McAllister Street, in San Francisco. We have divided the group into two sections in order to involve as many people as possible and still maintain a discussion format, and we have invited representatives from the insurance industry to meet with us.

Section A will take place from 3:30 p.m. to 5:00 p.m., and Section B, from 5:30 p.m. to 7:00 p.m.

Because space is limited, we must have an accurate count of those who plan to attend each section. Please complete the enclosed stamped, addressed post card and return it to us IMMEDIATELY. We will do our very best to accommodate your first choice and will notify you of the section to which you have been assigned.

Thank you for your cooperation in the study; we believe that the information we are compiling, with your help, will be extremely important in making the City's MBE/WBE/LBE Ordinance an effective instrument.

THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY  
RESEARCH REPORT NO. 1000  
1955

1955

1955

1. The first part of the report describes the synthesis of a new class of compounds, the 1,2-dithianes, which are of interest in the study of the chemistry of sulfur. The synthesis is carried out by the reaction of a dithiol with a cyclic anhydride in the presence of a catalyst. The reaction is carried out in a sealed tube at a temperature of 150°C. for 24 hours. The product is a 1,2-dithiane, which is a six-membered ring containing two sulfur atoms. The yield of the product is 85%.

2. The second part of the report describes the properties of the 1,2-dithianes. The compounds are colorless, odorless, and stable to air and light. They are soluble in a variety of organic solvents, including carbon tetrachloride, chloroform, and benzene. The boiling points of the compounds are in the range of 100-150°C. The melting points are in the range of 30-60°C. The compounds are stable to acids and bases, and to oxidizing and reducing agents.

3. The third part of the report describes the reactions of the 1,2-dithianes. The compounds undergo a variety of reactions, including substitution, elimination, and addition. The most characteristic reaction is the substitution reaction, in which one of the sulfur atoms is replaced by a carbon atom. This reaction is carried out by the reaction of the dithiane with a carbon disulfide derivative in the presence of a catalyst. The product is a 1,2-dithiane, which is a six-membered ring containing two sulfur atoms. The yield of the product is 85%.

# Aileen C. Hernandez Associates

Urban Consultants

497 Fulton Avenue, San Francisco, CA 94102  
(415) 861-6434

Aileen C. Hernandez

Jacqueline Bradford  
Patsy G. Fulcher

TO: \_\_\_\_\_

FROM: Aileen C. Hernandez Associates

RE: Workshop on Bonding and Insurance Requirements for City Contracting,

We appreciate very much your helpful responses to our recent survey on bonding and insurance requirements related to contracting with the City and County of San Francisco. Your survey response indicated that you are willing to take part in a focussed workshop designed to provide practical solutions to the problems that have been identified.

You are invited to attend EITHER of two sections of a discussion on the subject, to be held \_\_\_\_\_ in Room 1157 of the State Building, 350 McAllister Street, in San Francisco. We have divided the group into two sections in order to involve as many people as possible and still maintain a discussion format, and we have invited representatives from the insurance industry to meet with us.

Section A will take place from 3:30 to 5:00 p.m., and Section B, from 5:30 to 7:00 p.m.

Because space is limited, we must have an accurate count of those who plan to attend each section. Please complete the enclosed stamped, addressed post card and return it to us IMMEDIATELY. We will do our very best to accommodate your first choice and will notify you of the section to which you have been assigned.

Thank you again for your cooperation in the study; we believe that the information we are compiling, with your help, will be extremely important in making the City's MBE/WBE/LBE Ordinance an effective instrument.



RESPONSE FORM FOR FOCUS GROUP SESSIONS

BONDING AND INSURANCE STUDY

MBE/WBE/LBE ORDINANCE

☐ YES, I WILL ATTEND THE WORKSHOP TO BE HELD IN ROOM 1157 OF THE  
STATE BUILDING, 350 MC ALLISTER STREET, SAN FRANCISCO

☐ NO, I CANNOT ATTEND THE WORKSHOP, BUT

☐ I HAVE ADDITIONAL INFORMATION/IDEAS TO SHARE AND WOULD  
APPRECIATE YOUR CALLING ME.

(PHONE #) \_\_\_\_\_

☐ I WILL SEND YOU MY IDEAS AND COMMENTS (PRIOR TO THE WORKSHOP)

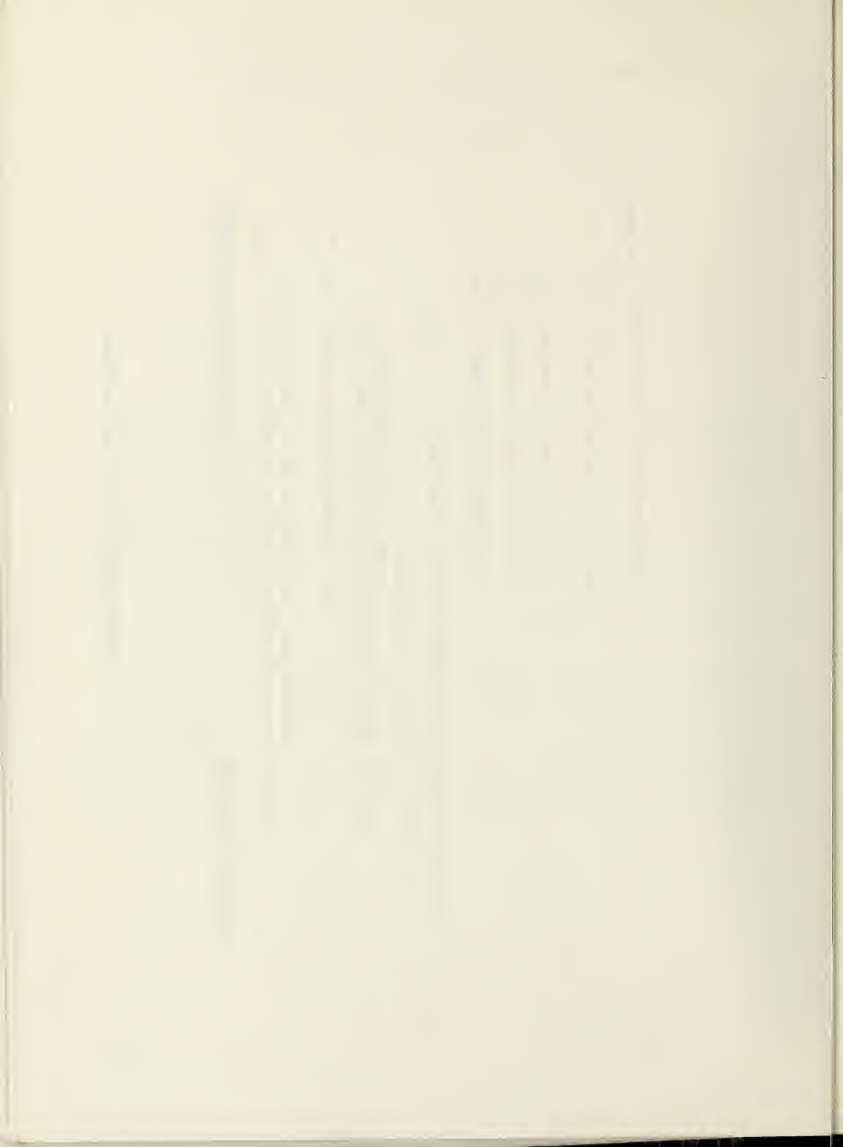
THE SECTION I WOULD LIKE TO ATTEND IS:

☐ SECTION A - 3:30 - 5:00 P.M.

☐ SECTION B - 5:30 - 7:00 P.M.

☐ EITHER SECTION IS O.K. WITH ME.

(SIGNATURE) \_\_\_\_\_





# **Aileen C. Hernandez Associates**

**Urban Consultants**

**497 Fulton Avenue, San Francisco, CA 94102  
(415) 861-6434**

Aileen C. Hernandez

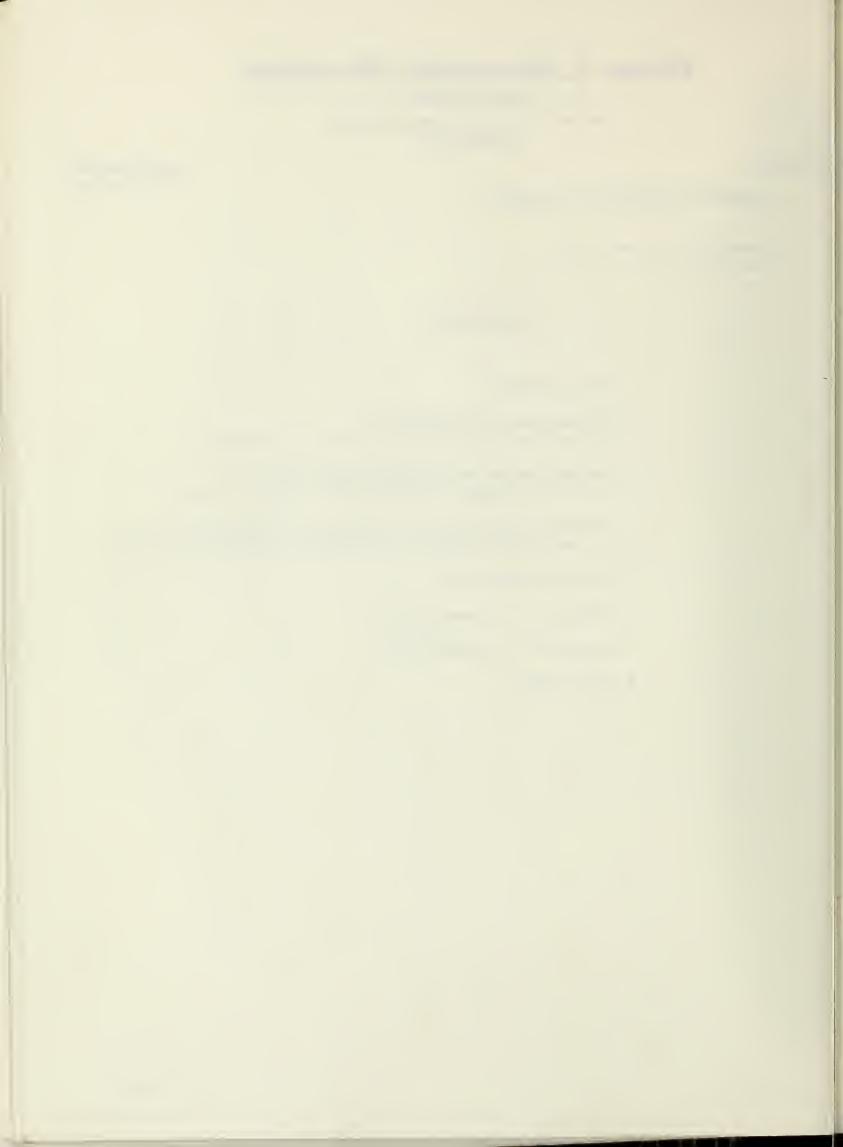
**Jacqueline Bradford  
Patsy G. Fulcher**

## WORKSHOP ON BONDING AND INSURING

Room 1157, 350 McAllister  
San Francisco

### A G E N D A

1. Introductions
2. Description of the Study and  
Goals for the Workshop: Aileen C. Hernandez
3. Summary Report on Insurance Requirements of  
City Departments and Agencies: Patsy G. Fulcher
4. Summary Report on Issues Relating to Insurance and  
and Bonding Raised by MBE's/WBE's: Jacqueline Bradford
5. General Discussion
6. Summary and Recommendations
7. Completion of Survey Forms
8. Adjournment



APPENDIX M.

CHECKLIST FORM  
USED BY  
COUNTY OF ALAMEDA



CERTIFICATE OF INSURANCE  
SERVICE CONTRACTS

APPENDIX M  
EXHIBIT C  
Page 1

NOTE: No other certificate forms will be accepted.

Please complete the following information:

CONTRACTOR: \_\_\_\_\_

CONTRACT TERM: \_\_\_\_\_ Alameda County Agency or Department \_\_\_\_\_

POLICY/BOND ENDORSEMENT REQUIREMENTS

Contractor's policies or bonds shall be endorsed as follows:

Name Alameda County, its Board of Supervisors, officers, agents and employees as Additional Insured/Obligees, but County is not liable to the insurance company for any premiums, costs or assessments in connection with Contractor's policy/bond, as a result of being an Additional Insured.

Provide County 30 days advance written notice of cancellation, non-renewal or reduction in limits or coverage including the name of the Contract, mailed to the following address:

County Department to Receive Notice(s) \_\_\_\_\_

Individual Coordinating Contracts \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

State the Contractor's policy/bond is primary insurance to any other insurance available to County with respect to any claim arising out of this contract.

Contractor is responsible for payment of insurance deductibles.

Insurance companies must have an "A.M. Best" rating of B+, X or better.

REQUIRED COVERAGES - Where "X" Appears in Box

CERTIFICATES OF INSURANCE

☒ 1. Workers' Compensation

- a. Statutory Compensation coverage.
- b. Employer's liability insurance with limit not less than \$100,000 per occurrence.

Insurance Company(s) \_\_\_\_\_

Policy Number(s) Policy Period(uates) \_\_\_\_\_

Signature of Individual authorized by Insurance Company to bind Company to coverage shown, and above endorsement requirements. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_



REQUIRED COVERAGES - Where "X" Appears in BoxCERTIFICATES OF INSURANCE2. Comprehensive General Liability

- a. Minimum Limits of Liability:  
\$1,000,000 per occurrence combined  
single limit bodily injury and  
property damage.

Insurance Company(s)Policy Number(s) Policy Period (dates)

b. Coverages:

- ☒ Bodily Injury  
☒ Property Damage  
☒ Blanket Contractual  
☐ Personal Injury  
☐ Products/Completed Operations  
☐ Broad Form Property Damage  
☐ Fire Damage Legal Liability

Signature of Individual authorized by  
Insurance Company to bind Company to  
coverage shown, and above endorsement  
requirements.

NameAddress

- c. Deductible not to exceed \$1,000  
per occurrence.

City, State, Zip

- ☒ Cross Liability or Severability of  
Interests Clause in policy

3. Comprehensive Automobile Liability

- a. Minimum Limits of Liability:

\$1,000,000 per occurrence combined  
single limit Bodily Injury and  
Property Damage.

Assigned risk insurance at available  
State financial responsibility limits.

Insurance Company(s)Policy Number(s) Policy Period (dates)

Signature of Individual authorized by  
Insurance Company to bind Company to  
coverage shown, and above endorsement  
requirements.

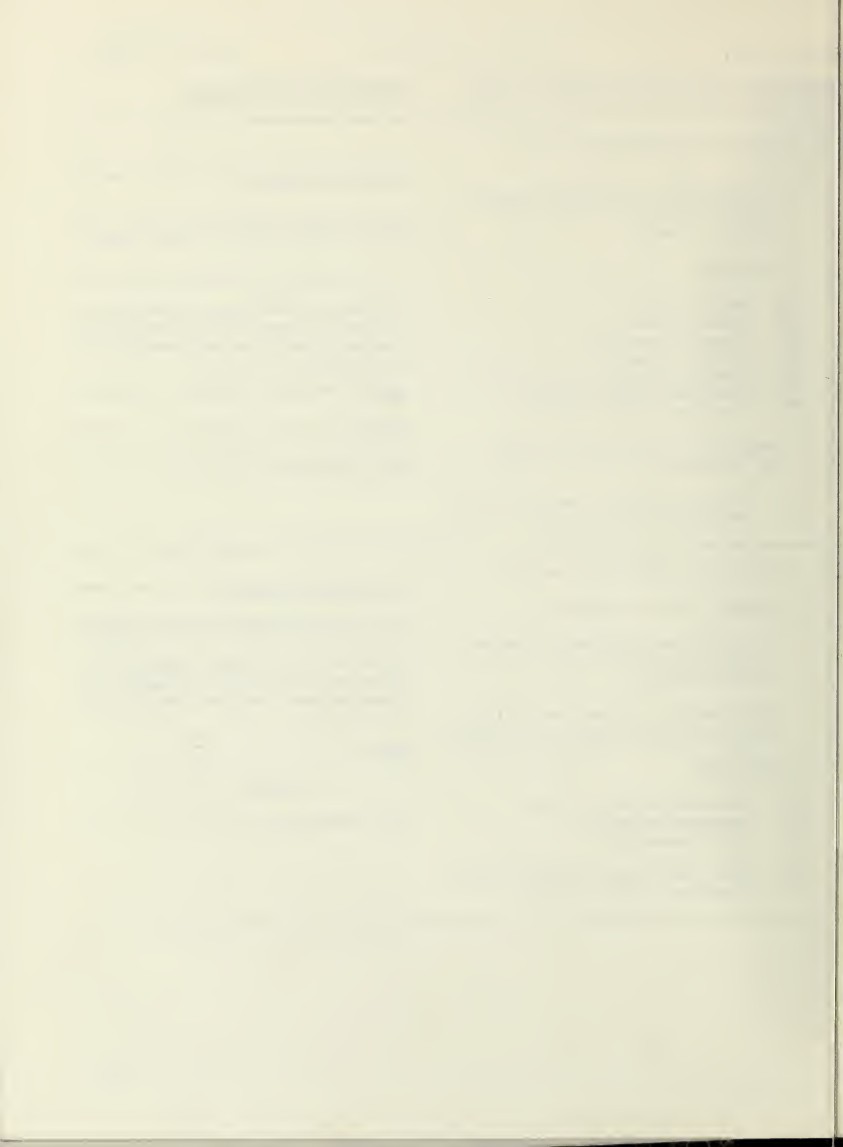
NameAddress

b. Coverages:

- ☐ Owned Automobiles, if any  
☐ Non-owned Automobiles  
☐ Hired Automobiles

City, State, Zip

- ☒ Cross Liability or Severability of  
Interests clause in policy





REQUIRED COVERAGES - Where "X" Appears in BoxCERTIFICATES OF INSURANCE4. Professional Liability

- ☒ 1. For professional employees licensed as a condition of employment at the beginning of contract term or hired during the contract terms, insuring against error or omission in rendering or failing to render professional services. Coverage shall continue for a minimum of five years.

- a. Minimum Limits of Liability:  
\$1,000,000 per claim
- b. Deductible not to exceed \$1,000 per claim.

- ☒ Five years extended discovery. If this coverage is not provided, this statement should be part of insurance clause of contract:  
"Contractor shall procure and maintain professional liability coverage for five years."

- ☒ Cross Liability or Severability of Interests Clause in policy

- ☐ 2. Contractor certifies there are no licensed or certified professional employees at contract effective date and will notify County and comply with this professional liability insurance provision if professional employees are hired during contract term.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Insurance Company(s)

\_\_\_\_\_  
Policy Number(s) Policy Period (dates)

\_\_\_\_\_  
Signature of Individual authorized by Insurance Company to bind Company to coverage shown, and above endorsement requirements.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip

Bonds/Crime Insurance

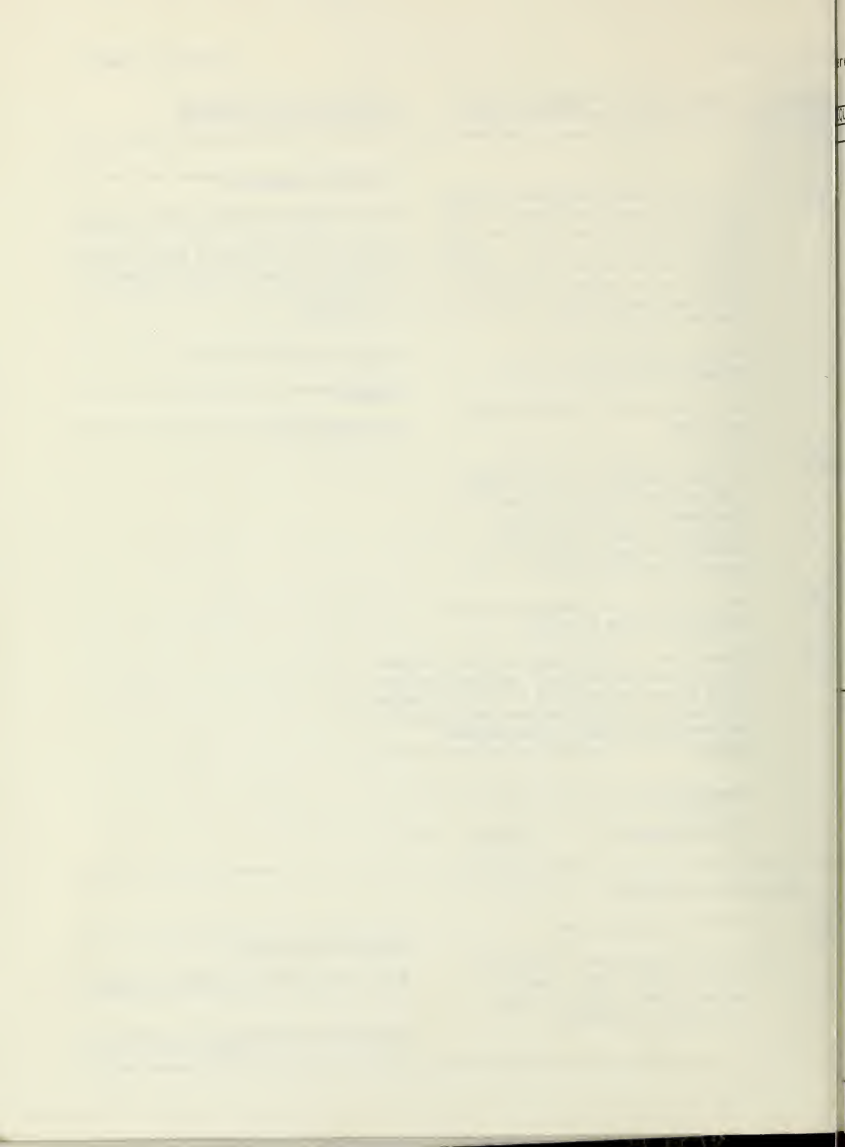
- ☐ 1. Fidelity Insurance Bond

- a. Faithful Performance Coverage of all officials, agents, and employees with access to funds received by Contractor.

\_\_\_\_\_  
Insurance Company(s)

\_\_\_\_\_  
Policy Number(s) Policy Period (dates)

\_\_\_\_\_  
Signature of Individual authorized by



REQUIRED COVERAGES - Where "X" Appears in Box

CERTIFICATES OF INSURANCE

- b. Limits shall at least be equal to maximum County funds in contractors possession or control during contract term.

Insurance Company to bind Company to coverage shown, and above endorsement requirements.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
State, City, Zip

☒ 2. Money and Securities Policy

- a. Insurance against the disappearance, destruction or wrongful abstraction of funds on and off premises of contractor.
- b. Limits shall be at least equal to maximum County funds in contractors possession or control during contract term.

\_\_\_\_\_  
Insurance Company(s)

\_\_\_\_\_  
Policy Number(s) Policy Period (dates)

\_\_\_\_\_  
Signature of Individual authorized by Insurance Company to bind Company to coverage shown, and above endorsement requirements.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip

Other (Describe below)

\_\_\_\_\_  
Insurance Company(s)

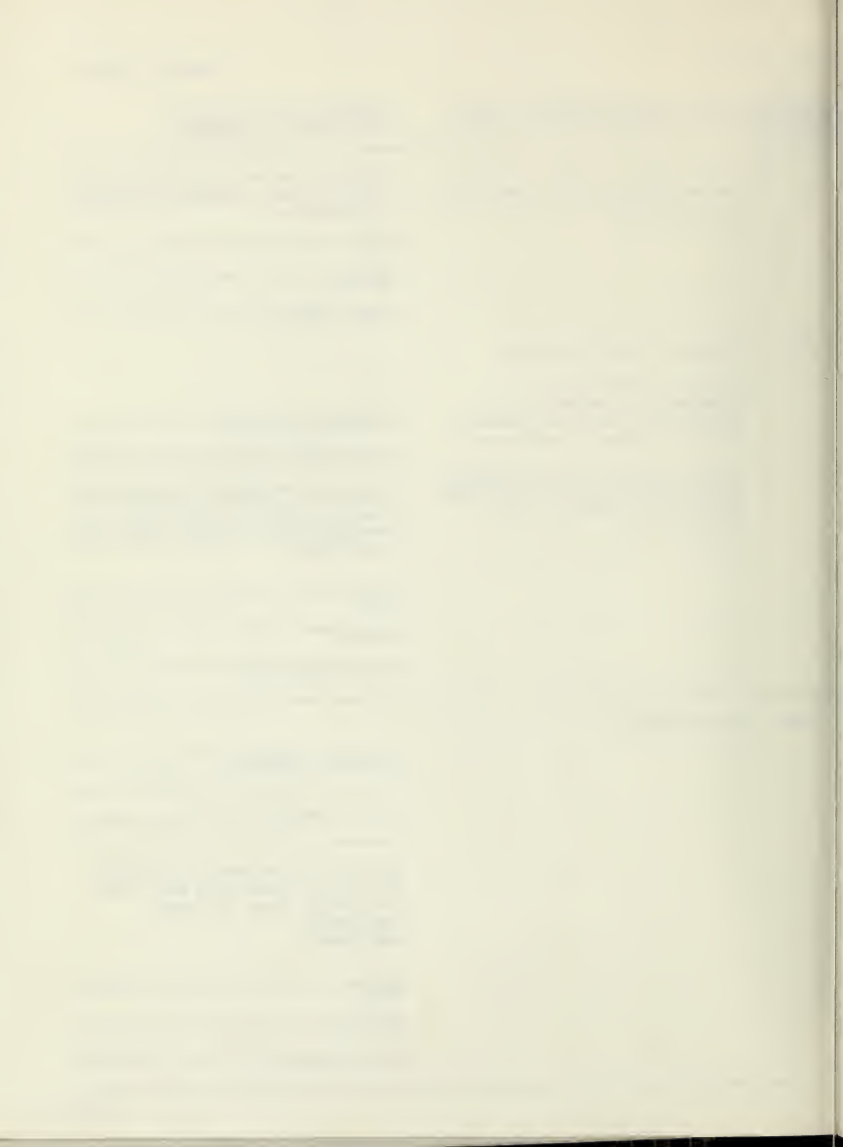
\_\_\_\_\_  
Policy Number(s) Policy Period (dates)

\_\_\_\_\_  
Signature of Individual authorized by Insurance Company to bind Company to coverage shown, and above endorsement requirements.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip



LETTER FROM  
GOLDEN GATE BRIDGE DISTRICT  
WITHDRAWING  
REQUIREMENT FOR LIABILITY  
INSURANCE  
ON A SPECIAL PROJECT





GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

June 11, 1985

Subject: Request for Proposals - Study of Travel Patterns  
and Demographic and Motivational Characteristics  
of Commuters in the Golden Gate Corridor

Gentlemen:

Please be advised that the District will not require professional liability insurance as specified under item 8 C on pages 5 and 6 of the contract for Professional Services attached to the Request for Proposals regarding Study of Travel Patterns and Demographic and Motivational Characteristics of Commuters in the Golden Gate Corridor dated May 31, 1985.

Very truly yours,

Jerome M. Kuykendall  
Director of Planning  
and Policy Analysis

JMK/rcs







